

Balfour Beatty

Investments

Our ref: UKOFTOGENERAL/GFAI/FD/L0001

Balfour Beatty Investments

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Dear Mr Hynes

User Commitment for Generator Focused Anticipatory Investment (GFAI)

We refer to your letter dated 20 June 2014 and are pleased to offer our comments on your early stage thoughts on GFAI.

Balfour Beatty Investments (BBI), as agent for the Balfour Beatty Group, acquires offshore transmission assets under Ofgem's OFTO regime. To date BBI has acquired the Greater Gabbard transmission assets, in consortium with Green Energy Transmission, and is preferred bidder for Thanet and Gwynt y Môr transmission assets.

From an OFTO point of view, we believe that the arrangements for User Commitment for offshore GFAI assets should follow similar principles to those established for the OFTO regime which have been so successful in attracting low cost capital into the financing of offshore transmission assets.

Your straw man proposal number 6 is therefore the preferred approach as the remaining developer would have a liability to NETSO and not to OFTO, thus preserving the principles of the OFTO model. The fixed revenue stream which OFTO receives from NGET as NETSO, and the lack of exposure to the developer, combine to make this regime attractive to investors.

Referring to straw man proposal number 9, for similar reasons we believe that the OFTO should receive the same revenue stream, with any termination amounts being managed by NETSO.

We hope that these views will help you in the development of your proposals for User Commitment for GFAI.

Yours sincerely



PP Sean McLachlan
Investment Director
Balfour Beatty Investments



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