



# Offshore Wind Leasing Round 4

Bidders Information Day – Afternoon Session

9 October 2019



# Welcome

The purpose of our event today is to provide an opportunity for Bidders to hear about the final design of the Round 4 Leasing Process before the PQQ opens.

The content of and positions outlined in the following slides and our presentation today are provided for information only and should not be relied upon.

For full details of the Round 4 Leasing Process Bidders should refer to and rely on the information in the e-Tendering Portal.

# Offshore Wind Leasing Round 4

Bidding entities & PQQ

Ben Barton

# Round 4 leasing process

## Pre-qualification questionnaire (PQQ)

Assesses potential Bidders' financial capability, technical experience and legal compliance to pre-qualifying for the ITT Stage 1 process.

Bidders who are successful in this stage will be appointed as 'Pre-qualified Bidders'.

## Invitation to Tender Stage 1 (ITT Stage 1)

Assesses the financial and technical robustness of projects submitted by Pre-qualified Bidders. Projects that pass will then be eligible to take part in the ITT Stage 2 process.

Bidders who are successful in this stage will be appointed as 'Eligible Bidders' with 'Eligible Projects'.

## Invitation to Tender Stage 2 (ITT Stage 2)

A multi-cycle bidding process, using option fees bid by Eligible Bidders to determine award. One project will be awarded per daily Bidding Cycle, with Bidding Cycles continuing until the 7 GW has been awarded or exceeded (up to 8.5 GW). On being successful in a daily Bidding Cycle, a Bidder will need to enter into a Preferred Bidder Letter and pay an Option Fee Deposit.

## Plan-level HRA

In accordance with our role as a Competent Authority under the Habitats Regulations, we will undertake a Plan-Level Habitats Regulations Assessment (HRA) to assess the possible impact of the awarded projects on relevant nature conservation sites of European importance.

## Agreement for Lease (AfL)

We will enter into a Wind Farm AfL with successful Bidders.

# PQQ Approach

- We will manage the Round 4 pre-qualification and tender submissions process through our web-based eTendering Portal, provided by Jaggaer One (previously Bravo Solution)
- We will evaluate PQQ and ITT Stage 1 responses on a "Pass/Fail" basis with no minimum or maximum number of Bidders proceeding to the next stage.
- The PQQ Questions are grouped into three envelopes:
  - Legal envelope = exclusion criteria and comments on Heads of Terms;
  - Commercial envelope = financial capability criteria; and,
  - Technical envelope = technical experience criteria
- All questions must be answered directly onto the portal by selecting options, completing text fields and uploading any required attachments.

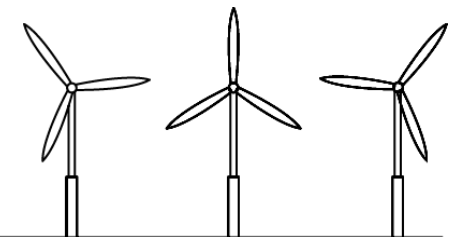
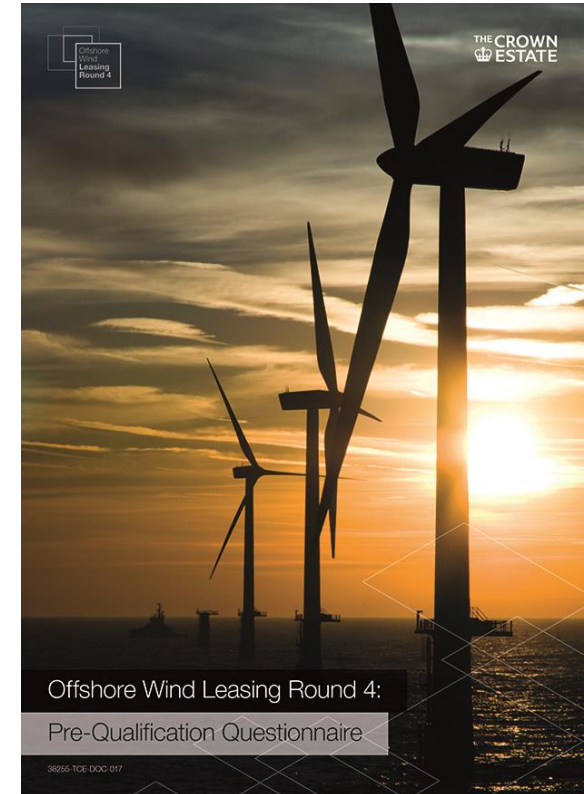
# PQQ Approach

- The eTendering portal has been structured to take each Bidder systematically through the questions that are relevant to them.
- The 'PQQ Required Respondee' details who each question applies to, depending on whether the Bidder is a Sole Bidder or a Consortium, whether a Guarantor is required and the selections you make regarding how to provide the required evidence of previous experience.
- The PQQ Questions will be accompanied by supporting resources, including flow charts, to help Bidders to navigate the question structure.



# Pre-Qualification Questionnaire (PQQ)

- The Pre-Qualification Questionnaire (PQQ) document is the key document for this stage of the tender process.
- The document will be available as a download from the portal and Potential Bidders must read it in full before answering the PQQ questions.
- The PQQ document contains:
  - The legal framework for the Round 4 tender process;
  - Further details of the tender process (e.g. key dates, the PQQ Q&A process, Response Requirements, etc);
  - Glossary of defined terms;
  - Schedules summarising the PQQ Questions;
  - The Bidder Undertaking that must be entered into by the Sole Bidder or all Consortium Members; and,
  - Key commercial terms for legal agreements (including the Windfarm and Transmission AfL and Lease and the Preferred Bidder Letter).



# Bidding entities

- Any corporate group may only be part of one bidding entity, either on its own (a ‘Sole Bidder’) or within a ‘Consortium’.
- A Development Services Provider may be used to provide technical support to a bid.
- A parent company (Guarantor) can be used to provide financial support to a bid where the bidder alone would be unable to meet the financial criteria (if used, a Guarantor must be used to meet all financial criteria).
- For each project, following a successful award we will enter into an AfL with a ‘Tenant’ proposed by the bidder, and this can be one of the following:
  - An individual company;
  - An incorporated joint venture (IJV) of which the Consortium Members are Shareholders; or,
  - An unincorporated joint venture (UJV) in which the Consortium Members are participants.
- The Tenant does not have to be formed prior to PQQ submission however details of the proposed ownership and control of the Tenant must be set out in the PQQ response and may not later be changed.



# Consortia

- Each Consortium can have a maximum of six members and must identify a lead member for communications during the tender process.
- A joint venture does not have to be contractually formed prior to the tender process, but must be formed prior to signing the AfL.
- At PQQ we will be asking for a shareholders' agreement (if available) or otherwise heads of terms for the joint venture (JV), including reserved matters and deadlock provisions.
- No changes of consortium membership or ownership will be permitted from PQQ submission through to signing a Preferred Bidder Letter, except at the absolute discretion of The Crown Estate.





# Pre-qualification questionnaire – legal

- The PQQ legal criteria are designed to exclude Bidders that have, for example, committed a criminal offence, serious misconduct or are in breach of tax obligations;
  - At our discretion, Bidders may not be excluded if they can provide evidence of ‘self-cleansing’ (which means paying any compensation due, collaborating with the investigating authorities and taking steps to prevent any future occurrences).
- Bidders may, as part of their PQQ Response, provide comments on the Heads of Terms for the AfLs, Leases and Preferred Bidder Letter:
  - Any comments provided on the Heads of Terms should be strictly confined to material “red flag” comments that would prevent the Bidder from entering into the relevant legal agreements;
  - Such comments will be considered by The Crown Estate at our discretion but do not form part of the PQQ assessment; and,
  - Bidders will not be able to comment on or mark up the Legal Agreements at ITT.

# Pre-qualification criteria – financial

## Net Assets

- Difference between total assets and total liabilities
- £70 million minimum
- From most recent audited accounts
- If the most recent audited accounts are more than 18 months old, the most recent Net Assets figure must be provided and this must also meet this criterion.

## Turnover

- Average £600 million per annum over 3 years, from all activities, as evidenced from most recent 3 years of audited accounts
- If the most recent audited accounts are more than 18 months old we require the most recent 2 years of audited accounts plus the most recent year of unaudited accounts.
- If you have been operational for less than 3 years, we will accept 2 years of accounts.

## Cash

- £45 million minimum cash, cash equivalents or committed undrawn credit facilities from qualifying banks
- From most recent audited accounts
- If the most recent audited accounts are more than 18 months old, the most recent cash figure must be provided and this must also meet this criterion.
- If relevant, full form documentation of credit facility to be provided

# Pre-qualification criteria – financial: Consortia

- Consortium members must in aggregate meet the financial criteria on a weighted average basis, proportionate to their proposed Consortium shareholding percentage.
- There is no minimum threshold for an individual consortium member.
- All of the financial tests can be met by a parent company (for one or more consortium members).
- The parent must either indirectly or directly own at least 10% of the consortium member that is relying on its support.

The table below shows a worked example:

Metric	Actual data per audited accounts			Pro-rata values			Total	Total required	Score
	Company A 50%	Company B 30%	Company C 20%	Company A 50%	Company B 30%	Company C 20%	Aggregate value	Requirement Per consortium	Pass / Fail
<b>Net assets</b>	£500m	£100m	£300m	£250m	£30m	£60m	£340m	£ 70m	<b>Pass</b>
<b>Turnover</b>	£1,000m	£200m	£500m	£500m	£60m	£100m	£660m	£ 600m	<b>Pass</b>
<b>Cash</b>	£70m	£10m	£40m	£35m	£3m	£8m	£46m	£ 45m	<b>Pass</b>

# Offshore Wind Leasing Round 4

PQQ – Technical Criteria

Helen Elphick



# Pre-qualification criteria – Technical

The proposed PQQ technical criteria are designed to ensure that the bidder has the technical capability and experience to develop offshore wind projects:

- The criteria look at the bidder's track record of key development activities
- They can be satisfied through equivalent transferable experience from other relevant sectors or by direct past experience of offshore wind development
- Evidence of past experience can be provided by different members of a consortium as we recognise different members may have different strengths and play different roles
- EIA experience can be provided from outside a Sole Bidder or Consortium through a Development Services Provider

# Role of Development Services Provider (DSP)

- A DSP is an organisation that provides technical support to a Bidder that lacks sufficient relevant EIA experience to pass the PQQ criteria alone.
- A DSP would usually be contracted to undertake development activities on behalf of the Bidder as part of the project organisation.
- Evidence of the named DSP's organisational experience would need to be provided as part of the PQQ submission.
- Assuming the Bidder is successful at PQQ, the same DSP would then need to contribute to the ITT Stage 1 submission.
- A DSP will need to be retained until consent award but there will be a mechanism in the Preferred Bidder Letter and Agreement for Lease to allow them to be substituted for another organisation with the required expertise.



# PQQ criteria – Technical: Project and HSE management

RESPONDEE & TOPIC

## Project Management

Must be satisfied by a Principal Shareholder (or member of its Group)

- Experience of direct project management of a development or construction project / programme gained through being the Largest Shareholder, OR Project Manager via a tier 1 sub-contract
- Development and/or capital expenditure in excess of £25m in nominal terms
- Period of expenditure must start after 1<sup>st</sup> January 2009, and cover a period of no more than 3 consecutive years.

## Health, Safety & Environmental (HSE) Policies

Must be satisfied by a Principal Shareholder

- Health, Safety and Environmental (HSE) Policies signed by a director and dated within last 12 months.
- The HSE Policies must be relevant, but do not need to be offshore wind specific, provided that they are transferable.
- Health & Safety and Environmental policies can be provided separately (i.e. one of each), or one integrated HSE policy. Where separate policies are provided, they can come from the same, or two different, Principal Shareholders.

## HSE Regulatory Action

Applies to all Consortium Members (and members of their Groups)

- Details of any HSE regulatory action taken in past three years (including improvement notices, prohibition notices or prosecutions)
- This should include all UK enforcement action (onshore and offshore in all industries) and enforcement action in other countries which involved the offshore development and/or offshore asset management sector
- If action has been taken, we will require evidence that steps have been taken to prevent recurrence

OVERVIEW OF EVIDENCE REQUIRED



# PQQ criteria – Technical: Project development experience

RESPONDEE & TOPIC

## Grid Connection

Must be satisfied by a Principal Shareholder (or member of its Group)

- Grid Connection Construction Agreement for a grid connected power project anywhere in the world with an installed (generation) capacity >50 MW.
- Grid Connection Construction Agreement must be dated after 1<sup>st</sup> January 2009.
- The respondent must have had an active position on the project/ company board.

## Planning Consent

Must be satisfied by a Principal Shareholder (or member of its Group)

- Primary planning consent document (DCO or equivalent) for consent submission AND consent award, both dated after 1<sup>st</sup> January 2009.
- Evidence may come from the same project, or two different projects (which can come from two separate organisations)
- Project(s) must meet the definition of Major Infrastructure Project
- The respondent must have had an active position on the project/ company board.

## Environmental Impact Assessment

Must be satisfied by a Principal Shareholder (or member of its Group) and/or a DSP

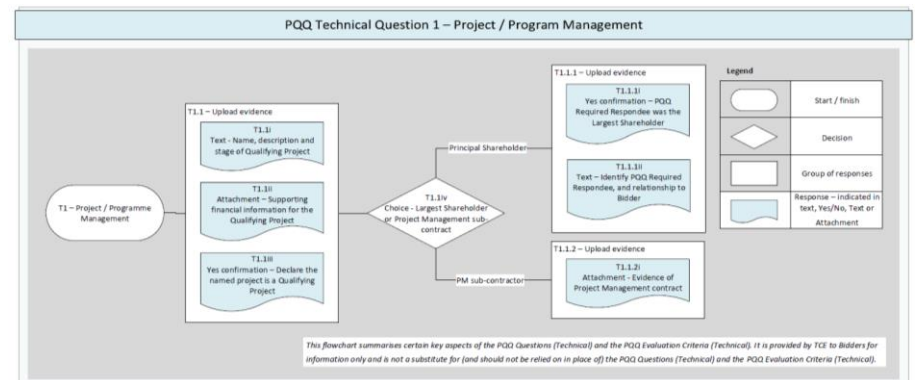
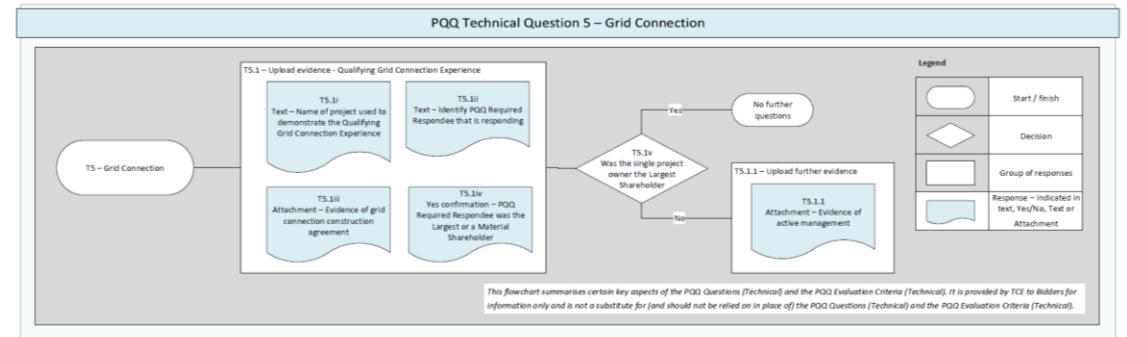
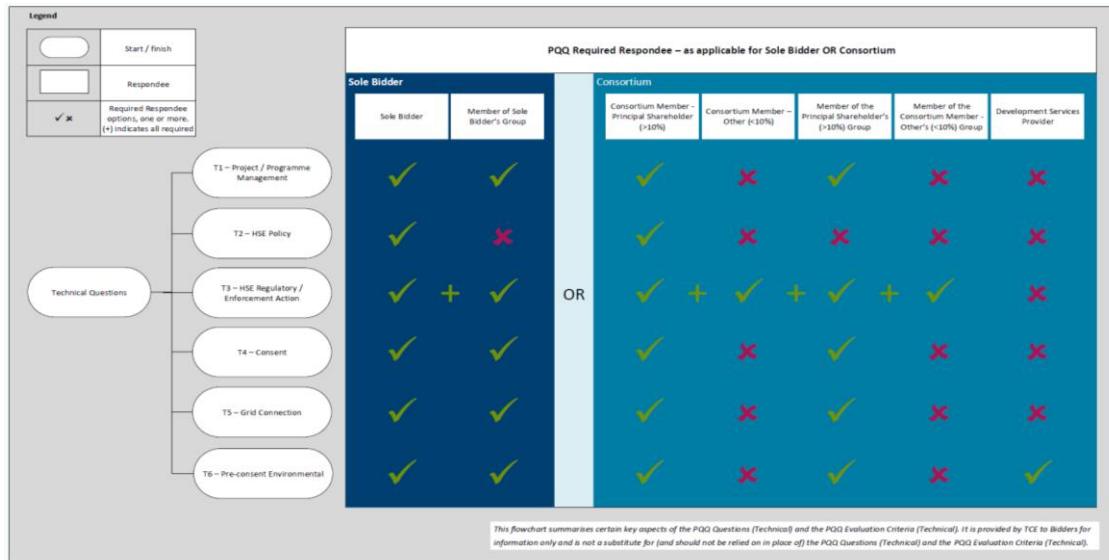
- Environmental Statement(s) (ES) for a wind energy project of at least 50 MW and an offshore project, dated after 1<sup>st</sup> January 2009.
- Evidence of discharging EIA conditions and post-consent monitoring for one project type is acceptable instead of an ES.
- Project(s) must either have been located in a “designated country” within the “Equator Principles” framework or have undertaken an equivalent stakeholder engagement process.

OVERVIEW OF EVIDENCE REQUIRED

# PQQ criteria – Supporting Resources

The PQQ Questions will be accompanied on the eTendering portal by supporting resources to help Bidders to navigate the question structure.

Flow charts show which questions are relevant to different types of Bidder (i.e. a Sole Bidder or a Consortium) and to Bidders with different types of experience.



# Offshore Wind Leasing Round 4

ITT Stage 1

Helen Elphick

# Round 4 leasing process

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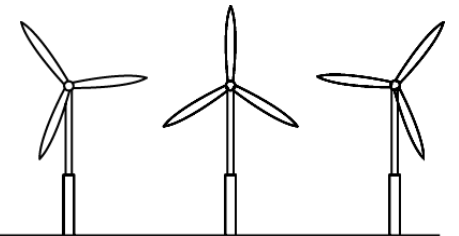
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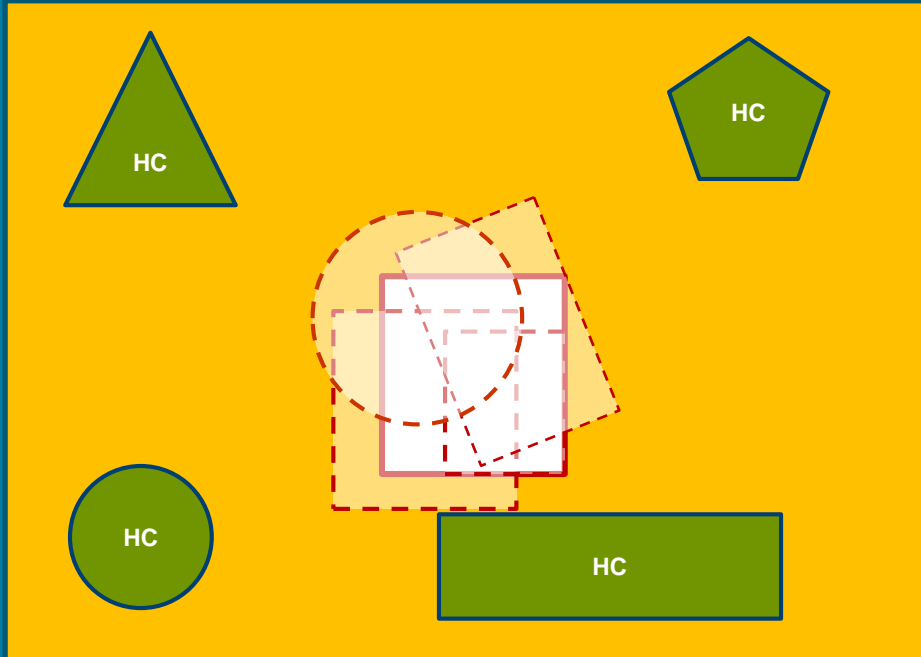
# Invitation to Tender Stage 1 (ITT Stage 1)

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- ITT Stage 1 will comprise a series of technical and financial checks on a Bidder's proposed projects and their capability of delivering them.
- As with PQQ we will manage the Round 4 pre-qualification and tender submissions process through our web-based eTendering Portal and evaluate responses on a "Pass/Fail" basis against threshold criteria.
- Full details of the ITT Stage 1 Questions will only be made available to Bidders who pass the PQQ stage but a summary is presented in this section.
- The following resources will be available during the PQQ Stage to help Bidders with their site selection work:
  - Spatial Data (Bidding Areas, Hard Constraints and Characterisation Areas) on our Open Data Portal;
  - Round 4 Spatial Data Requirements: GIS User Guidelines; and,
  - The Crown Estate Round 4: Bidding Area Report.



# ITT Stage 1: Spatial Terminology



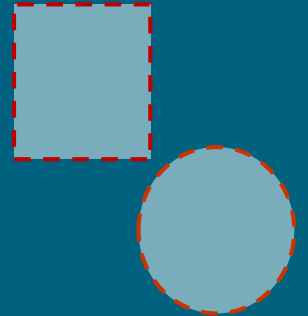
## Primary Project Site:

This is an “anchor” project site around which all variants have to be defined.



## Variant Project Sites:

Up to four alternative site options related to a Primary Project Site. Any Variant Project Site must have a capacity and spatial area that is equal to or smaller than the Primary Project Site. At least 50% of each Variant Project Site must overlap with the Primary Project Site.



## Hard Constraints:

Existing sites and activities which no part of a Project Site should overlap. Hard Constraints are available to potential Bidders as a GIS shapefile on the Open Data Portal.



## Aggregated bid area:

The outer boundary of a Primary Project Site and its related Variant Project Sites (a ‘Project Group’), which is used for the purpose of the constraints identification check



# ITT Stage 1: Spatial compliance checks

Parameter	Summary of requirements
Number of Projects	<p>Bidders can propose sites in up to <b>five</b> distinct locations across the Bidding Areas.</p> <p>For each location there must be <b>one Primary Project</b>, which can be accompanied by <b>up to four additional Variant Project Sites</b>, which together make a Project Group.</p>
Project Capacity Requirements	<ul style="list-style-type: none"><li>- <b>Maximum Project Size:</b> 1500 MW in all Bidding Areas</li><li>- <b>Minimum Project Size:</b> 600 MW in the Dogger Bank Bidding Area; 400 MW in all other Bidding Areas</li></ul> <p>Project Capacity must be defined to the <b>nearest 10MW</b>.</p>
Project Density	<p>Project Sites proposed at ITT Stage 1 must have a minimum density of 3MW/km<sup>2</sup>, which will need to be maintained at all times once in Agreement for Lease.</p> <p>Minimum Project Density increases when a Projects steps through to Lease (after consent and financial close) according to the Project's Capacity.</p>

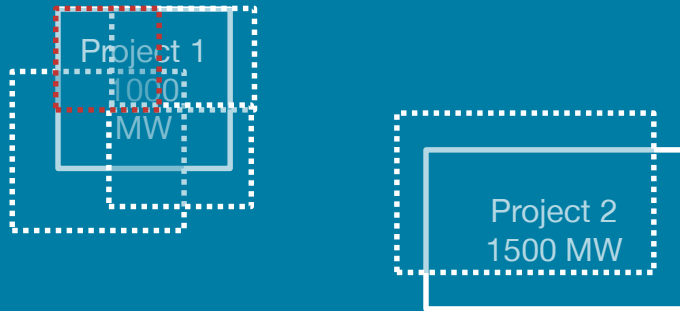
# ITT Stage 1: Spatial compliance checks

Parameter	Summary of requirements
<b>Project Boundary</b>	<p>Each proposed Primary or Variant Project Site must:</p> <ul style="list-style-type: none"><li>a) have a single boundary (i.e. split sites are not permitted);</li><li>b) be located entirely within a single Bidding Area;</li><li>c) have a maximum ratio of 5:1 for perimeter:<math>\sqrt{\text{area}}</math>;</li><li>d) not overlap Hard Constraints; and,</li><li>e) not be within 7.5km of an existing offshore wind farm (unless the owner provides written consent).</li></ul>
<b>Additional requirements for Primary and Variant Projects</b>	<p>The relationship between a Primary Project Site and its associated Variants is as follows:</p> <ul style="list-style-type: none"><li>a) a Bidder's own Primary Project Sites must not overlap one another but they can be adjacent;</li><li>b) Variant Project Sites from one of a Bidder's Primary Projects can overlap another of their Primary Project Site (and its Variants)</li><li>c) Variant Projects cannot be larger (in area or capacity) than the corresponding Primary Project;</li><li>d) Variant Projects can be up to 50% smaller (in area and/or capacity) than the corresponding Primary Project (subject to the other Site Requirements); and,</li><li>e) at least 50% of each Variant Project Site must overlap the Primary Project Site.</li></ul>

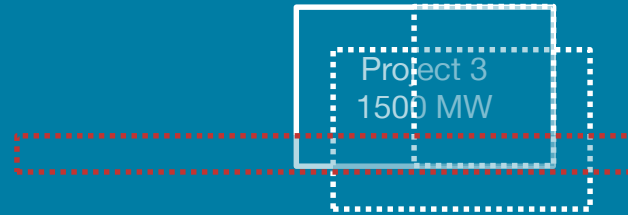


# ITT Stage 1: Spatial compliance checks – worked example

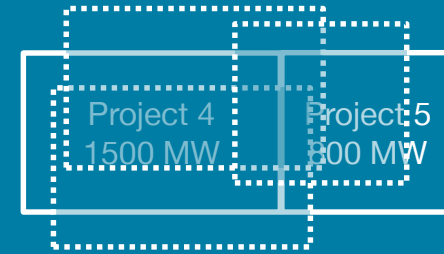
Bidding area X



Bidding area Y



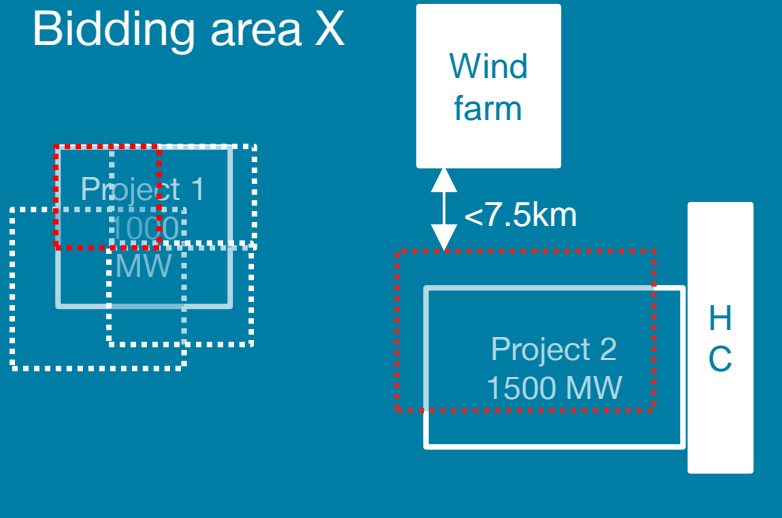
Bidding area Z



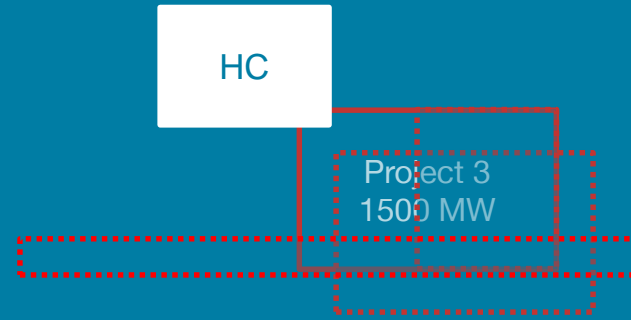
- In this worked example the Bidder has proposed five Project Groups. All Project Sites:
  - a) comply with the Project Capacity Requirements for their Bidding Areas; and,
  - b) are entirely within the outer Bidding Area Boundaries.
- The Bidder has proposed the maximum of 4 Variant Project Sites for Project 1.
- Project 1's fourth Variant would fail because it has less than 50% of the capacity (and area) of the Primary Project Site. The other Variant Sites would pass this check.
- One of the Variant Sites proposed for Project 3 would fail the Project Boundary requirement due to its elongated shape.
- The Primary Project Sites for Project 4 and Project 5 are adjacent but as they do not overlap, they would pass this check.
- The Variant Project Sites for Project 4 and Project 5 do overlap both the other Primary Site and other Variants, but overlaps between Sites from different Project Groups is acceptable for Variants, so they would all pass this check.

# ITT Stage 1: Spatial compliance checks – worked example

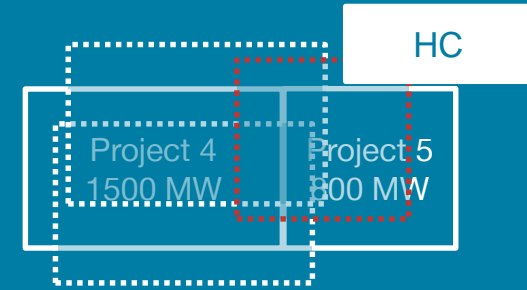
Bidding area X



Bidding area Y



Bidding area Z



This second stage of the worked example includes consideration of Hard Constraints within the Bidding Areas:

- Project 2 has a Variant Project Site that is within 7.5km of an existing offshore windfarm. Unless the Bidder has provided evidence of consent from the existing operator, this site would fail this check.
- Project 3's Primary Project Site overlaps a Hard Constraint, so it fails this check.
- All of Project 3's related Variant Project Sites also fail as they cannot progress to ITT Stage 2 without their corresponding Primary Project Site.
- Project 5's Variant Project Site overlaps a Hard Constraint, so fails this check.
- However, the Primary Project Site passes and can proceed to ITT Stage 2.



# ITT Stage 1: Financial Criteria

## Maximum Level of Cash

- The Bidder's maximum cash availability will be assessed at ITT Stage 1 using the information provided by the Bidder
- This can be in the form of cash, cash equivalents or committed undrawn credit facilities from qualifying banks
- This information will be used to check compliance with cash availability during the bidding cycles at ITT Stage 2

## Development Costs

- A high-level breakdown of development costs up to consent award must be provided for each Primary Project and Variant Project.

## Capital availability

- Evidence for capital availability and commitment to cover rolling 18-month look forward investment in the project during the 5 year development period.



# ITT Stage 1: Technical Criteria

## HSE Management

- For each Bidder we will undertake a check of the Health, Safety and Environmental (HSE) management processes that would be applied to any successful project.
- The checks will including a review of:
  - evidence of existing or proposed HSE management systems that would be applied to the project;
  - description of how roles and responsibilities for HSE will be assigned, how H&S activities will be co-ordinated, and how the project shall access competent advice; and,
  - internal processes for ensuring compliance with the Construction (Design and Management) Regulations 2015 (CDM), including processes for the selection of contractors and how responsibilities will be assigned to your contractors throughout the development process.

# ITT Stage 1: Technical Criteria (continued)

## Constraints identification

Bidders will need to demonstrate that they have considered the site-specific development challenges for each proposed Project by:

- a) identifying relevant constraints for each Project Group; and,
- b) proposing mitigations where these have not already been addressed through site selection.

For Project Groups located entirely within a Characterisation Area the relevant constraints will be listed in the corresponding Characterisation Area Report.

For Project Groups outside of Characterisation Areas, a longer list of relevant constraints will need to be considered.

## Project Schedule

To demonstrate that the project can be delivered within a timeframe that aligns with our Round 4 objectives and the terms of our Agreements for Lease, a high-level Project Schedule will be required for each proposed Project. The schedule will be checked to ensure that:

- a) A logical sequence of activities has been proposed;
- b) Our two contractual milestones are scheduled to be met; and,
- c) The project is scheduled to step-through to lease within the 10 year option period.

## Project design information

To inform the technical inputs to the Plan-level HRA, project design information for each proposed Project Group.

Bidders will be given the opportunity to indicate whether the default project design assumptions reflect their proposed project envelope and to propose alternative minimum / maximum design parameters and installation methodologies where necessary.

This project design information will not be assessed and will only be considered if the project is successful at ITT Stage 2.

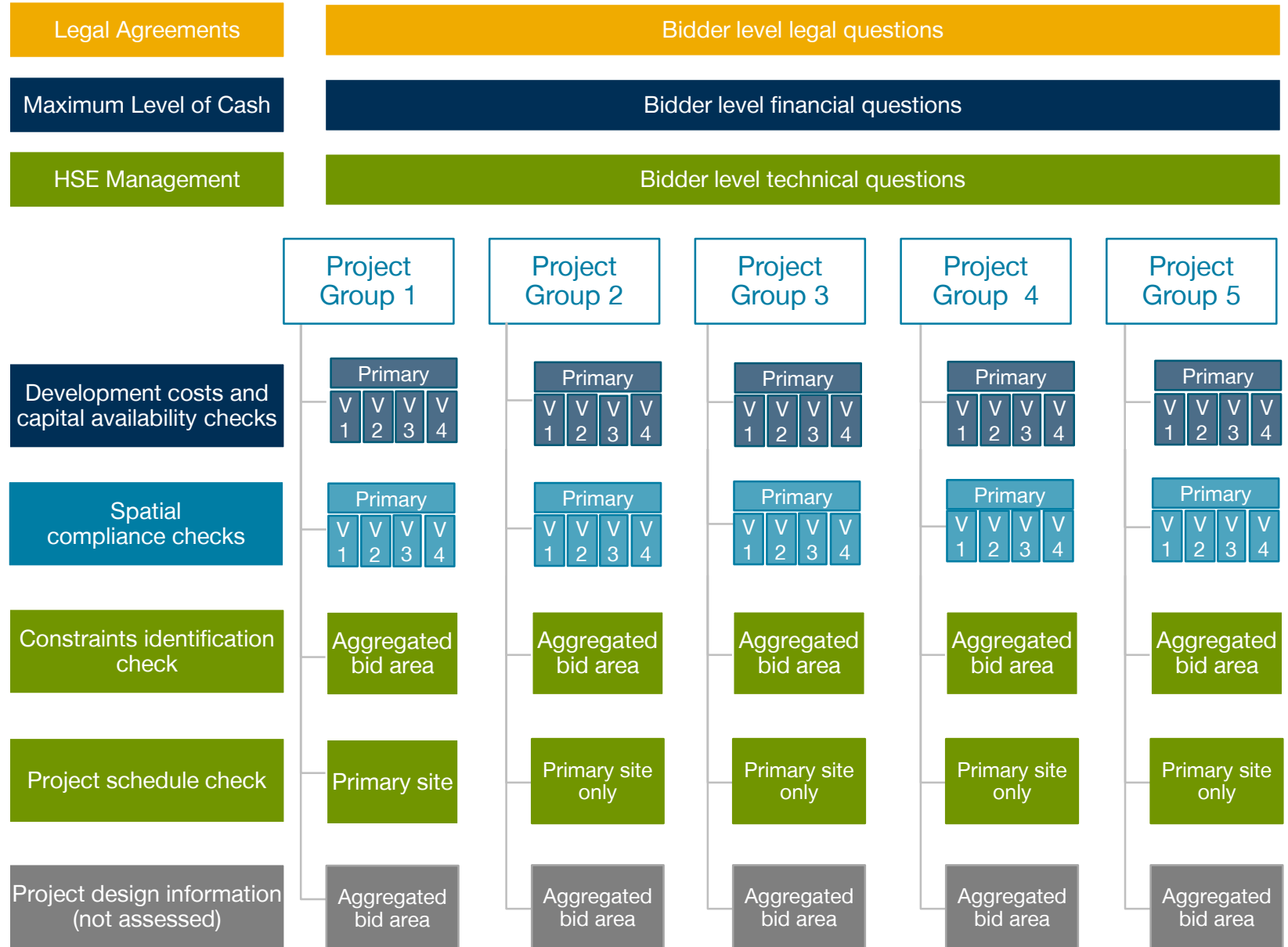
# ITT Stage 1: Summary

At ITT Stage 1, technical and financial questions will be asked in relation to both the Bidder itself and the Projects that are proposed. Bidders will need to confirm unconditional acceptance of the terms of the Legal Agreements.

The Bidder must pass all Bidder-level checks to proceed to ITT Stage 2.

Projects must pass the Project-level checks for Sites within that Project Group to proceed to ITT Stage 2.

- LEGAL
- FINANCIAL
- TECHNICAL
- SPATIAL
- HRA INPUT [NOT ASSESSED]



# Offshore Wind Leasing Round 4

ITT Stage 2

Ben Barton

# Round 4 leasing process

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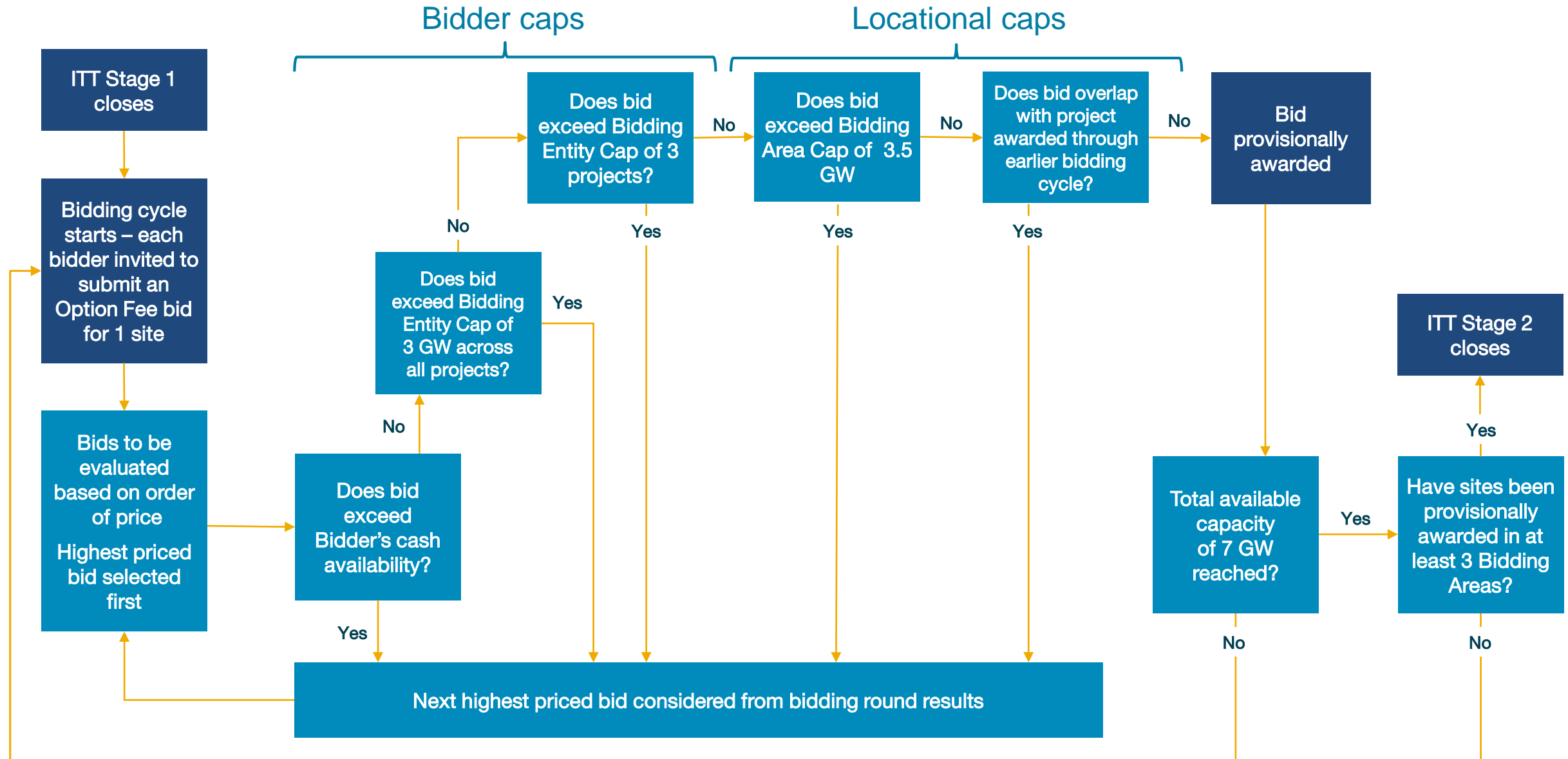




## ITT Stage 2: overview

- Multi-cycle bidding process - with one Eligible Bidder awarded Preferred Bidder status with respect to one site at the end of each successful Bidding Cycle.
- In each bidding cycle, Bidders will be invited to put forward one of their project sites and associated Option Fee price (in £/MW/year)
- The site with the highest Option Fee, subject to the bidding rules, will be awarded
- Daily bidding cycles will continue until at least 7GW (and no more than 8.5GW) of sites are awarded in at least 3 bidding areas.
- When each bidding cycle ends the following information regarding the successful bid will be disclosed to all participating Bidders:
  - a) Option Fee price in £/MW/year;
  - b) Project capacity (in MW); and
  - c) Map and GIS coordinates.
- Bidders' identities will not be disclosed between bidding cycles.

# ITT Stage 2: decision tree



# Bidders' cash availability

- Bidders' Maximum Level of Cash available will be assessed at ITT Stage 1 using the information provided by the Bidder
- During the bidding cycles, a project which is being assessed for award must be tested against the Bidder's available cash
- Project funding requirements are calculated as follows:
  - a) 3 years of Option Fee payments as submitted by the Bidder in the Bidding Cycle; plus
  - b) Development costs of the project over a 3 year period as submitted at ITT Stage 1.
- Provided the project funding requirement does not exceed the Bidder's available cash, the project will proceed through the decision tree
- If the Bidder's available cash is exceeded, the project will not be awarded
- When a Bidder has been awarded a project, its available cash level for further bidding cycles is reduced by the funding requirements of the awarded project(s)

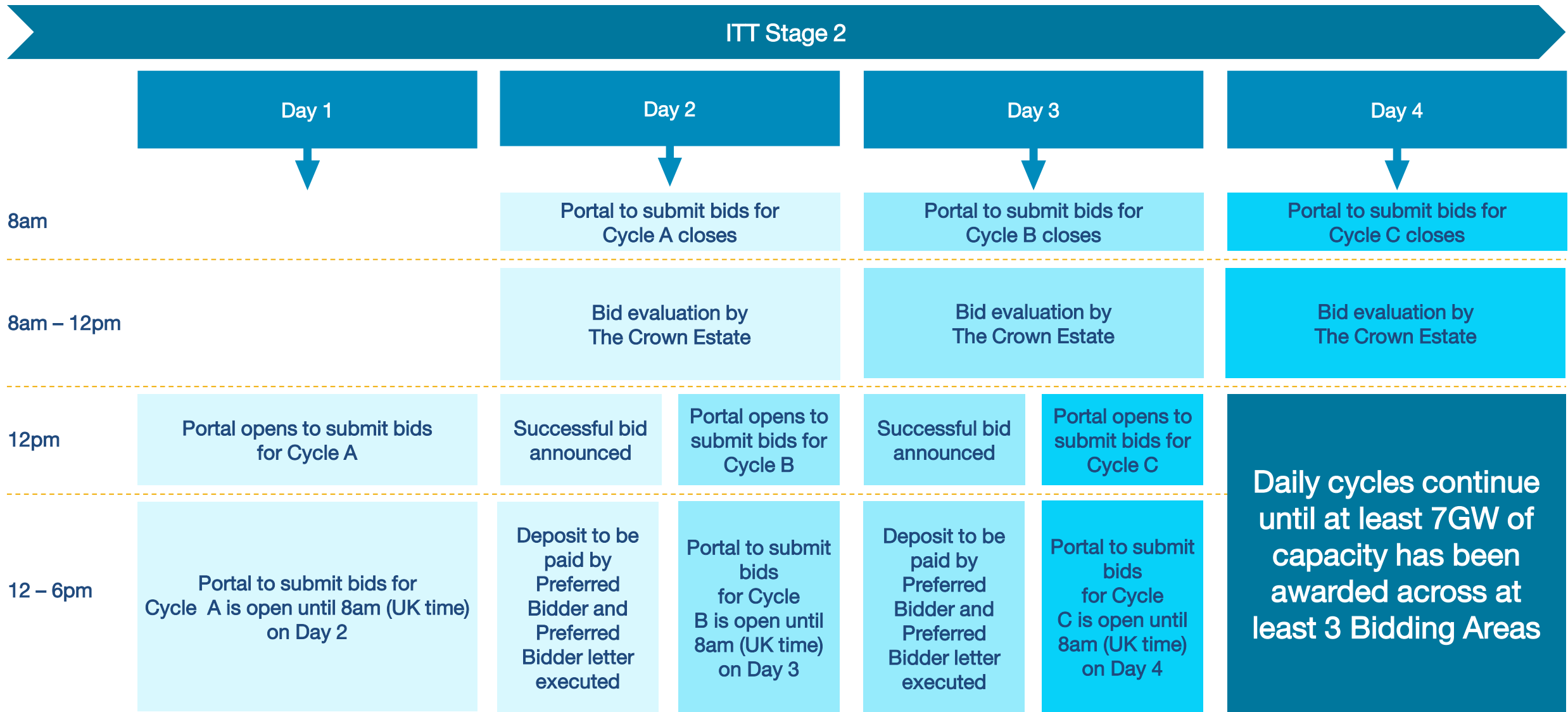
Maximum level of  
cash available  
(assessed at ITT Stage 1)

PROJECT 2

Project funding requirement =  
3 years development costs  
(submitted at ITT Stage 1)  
+ 3 years Option Fee  
(submitted at ITT Stage 2)

PROJECT 1

# ITT Stage 2: bidding cycles



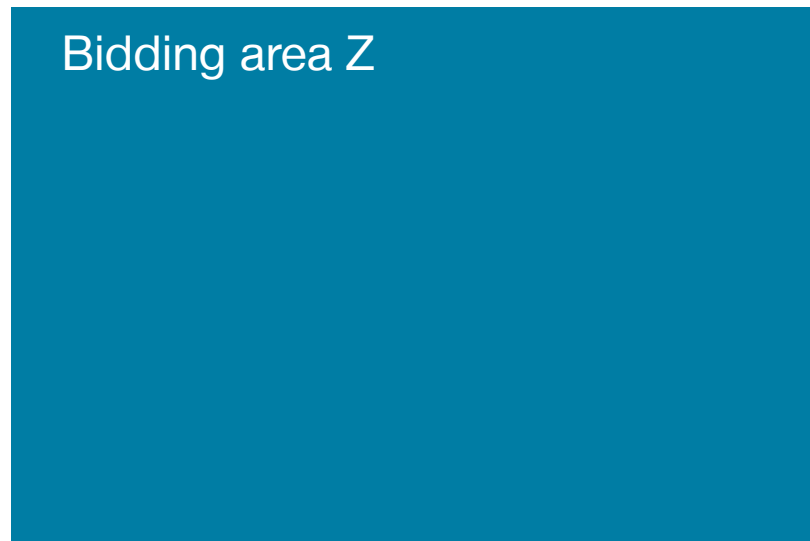
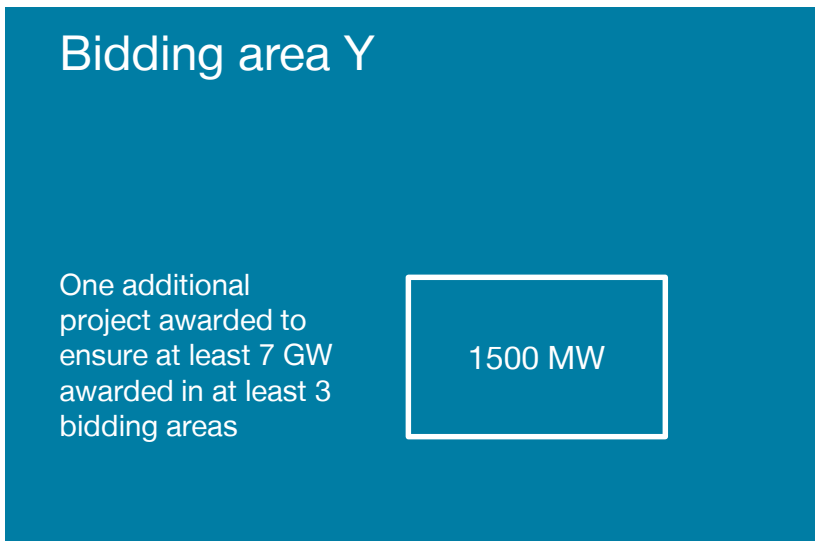
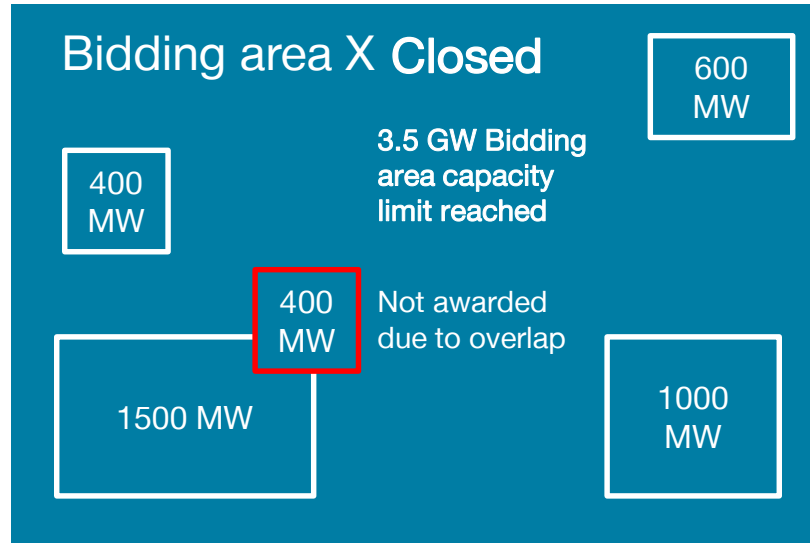
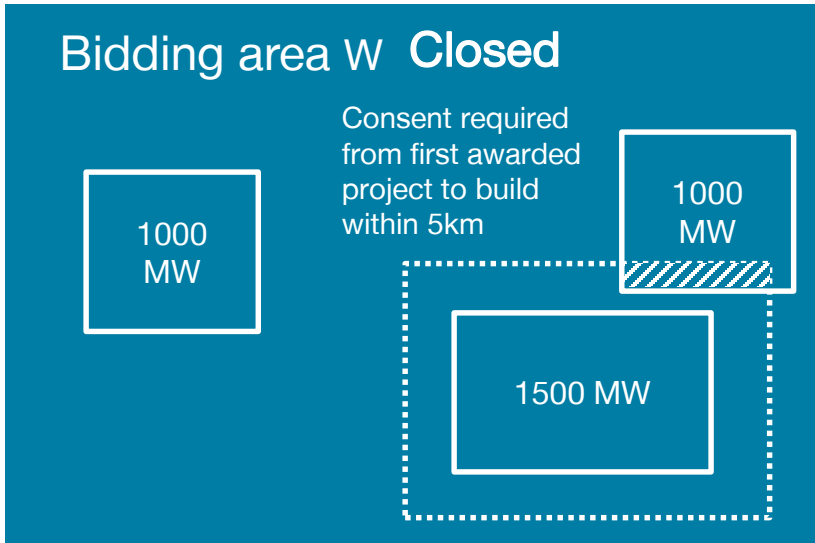


## ITT Stage 2: next steps for successful Bidders

- On award, the successful Bidder will:
  - pay a deposit (1 year of Option Fee payment); and,
  - enter into a Preferred Bidder Letter.
- The Preferred Bidder Letter will:
  - a) require the Bidder to enter into the AfL unless the site is excluded as a result of the plan-level HRA;
  - b) confirm that The Crown Estate does not intend to grant rights for offshore wind development to others, without the Bidder's consent, over the site and a 5km buffer until entry into the AfL; and,
  - c) mirror the terms of the AfL for Change of Control and replacement of a Development Services Provider (DSP) (where relevant).

Note that the deposit will not be refunded if the site is excluded as a result of the plan-level HRA or if the bidder otherwise fails to enter the AfL

# ITT Stage 2: spatial illustration



Cycle	Bidding area W	Bidding area X	Bidding area Y	Bidding area Z
A	1000			
B		1500		
C		1000		
D		600		
E		400		
F	1500			
G	1000			
H			1500	
I				
J				
<b>SUB TOTAL</b>	<b>3500</b>	<b>3500</b>	<b>1500</b>	
<b>TOTAL</b>	<b>8500</b>			

# Offshore Wind Leasing Round 4

Round 4 HRA process

Greg Tomlinson

# Round 4 leasing process

## Pre-qualification questionnaire (PQQ)

Assesses potential Bidders' financial capability, technical experience and legal compliance to pre-qualifying for the ITT Stage 1 process.

Bidders who are successful in this stage will be appointed as 'Pre-qualified Bidders'.

## Invitation to Tender Stage 1 (ITT Stage 1)

Assesses the financial and technical robustness of projects submitted by Pre-qualified Bidders. Projects that pass will then be eligible to take part in the ITT Stage 2 process.

Bidders who are successful in this stage will be appointed as 'Eligible Bidders' with 'Eligible Projects'.

## Invitation to Tender Stage 2 (ITT Stage 2)

A multi-cycle bidding process, using option fees bid by Eligible Bidders to determine award. One project will be awarded per daily Bidding Cycle, with Bidding Cycles continuing until the 7 GW has been awarded or exceeded (up to 8.5 GW). On being successful in a daily Bidding Cycle, a Bidder will need to enter into a Preferred Bidder Letter and pay an Option Fee Deposit.

## Plan-level HRA

In accordance with our role as a Competent Authority under the Habitats Regulations, we will undertake a Plan-Level Habitats Regulations Assessment (HRA) to assess the possible impact of the awarded projects on relevant nature conservation sites of European importance.

## Agreement for Lease (AfL)

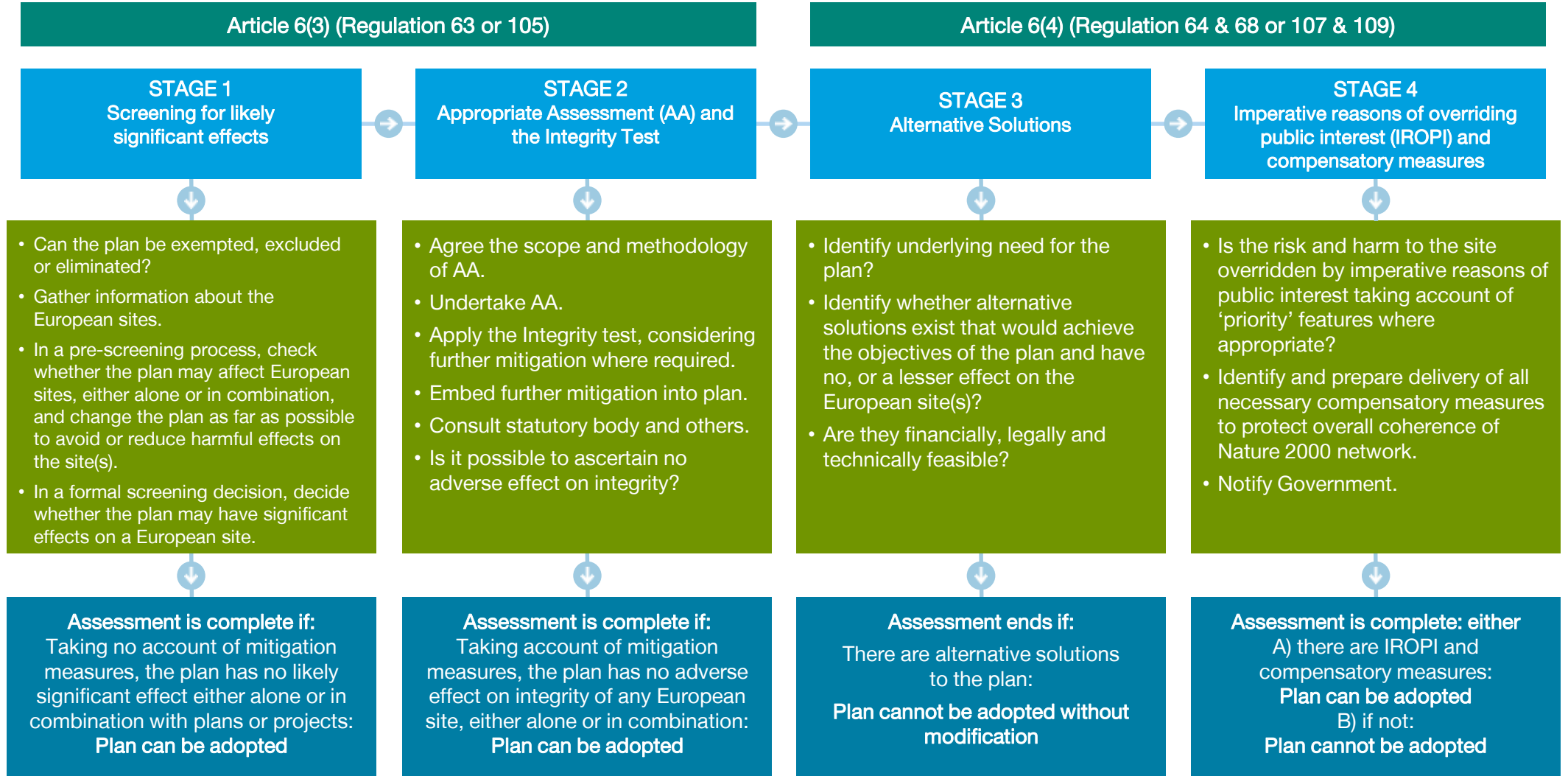
We will enter into a Wind Farm AfL with successful Bidders.



# Plan-level Habitats Regulations Assessment (HRA)

Extract from  
The Habitats Regulations  
Assessment Handbook,

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(October 2018) all rights  
reserved.



# Plan-level HRA – Derogations

## Derogation can be sought if:

- There is no feasible alternative to the proposed plan or project which would have less damaging effects on the integrity of the European site(s)
- Imperative reasons of overriding public interest (IROPI) justify proceeding with the plan or project
- All compensatory measures needed to ensure that the overall coherence of the network of European sites is protected have been secured.

## Obtaining a derogation involves:

- Further consultation with the Statutory Nature Conservations Bodies (SNCBs) and other stakeholders
- Notification (and in practice the approval) of the Secretary of State
- The project being required to deliver (potentially) some or all the HRA compensation measures
- (potentially) a request for an opinion from the EU Commission; or, in the event that Brexit has occurred at that point, the substitute domestic body established for these purposes

# HRA - potential implications

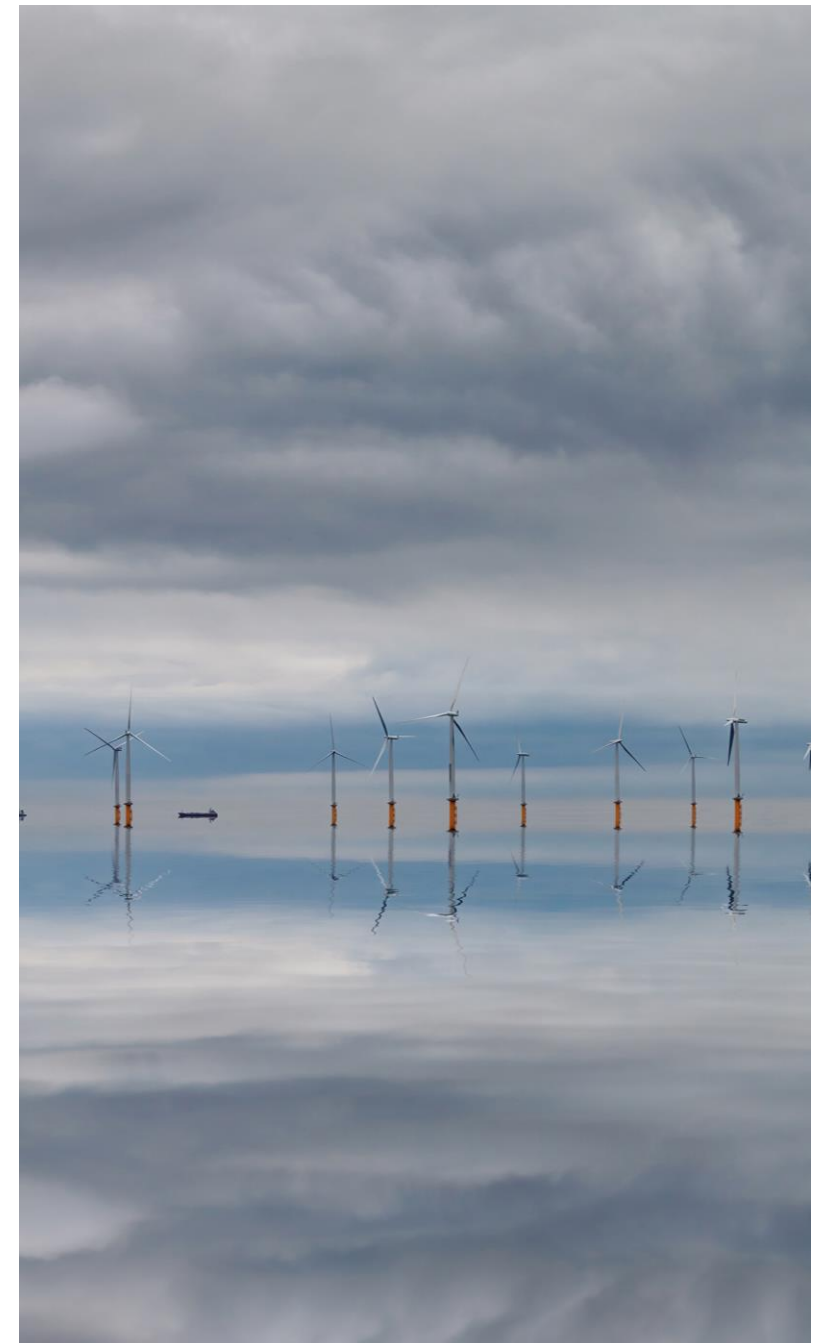
Plan-Level HRA could result in the following outcomes for each Round 4 Project

- Award of AfL for the Project because we ascertain that the Round 4 leasing plan will not adversely affect the integrity of the European/Ramsar sites concerned.
- Award of AfL for the Project subject to complying with mitigation measures deemed to necessary to ascertain that the Round 4 leasing plan will not adversely affect the integrity of the European/Ramsar sites concerned.
- No award of an AfL for Project due to us ascertaining that the Round 4 leasing plan will adversely affect the integrity of the European/Ramsar sites concerned, even with mitigation measures. The Project(s) would be removed from the Round 4 leasing plan.
- Where an adverse effect on the integrity of the European/Ramsar sites concerned cannot be ruled out, we may (at our discretion, and in accordance with the relevant considerations under the Habitat Regulations) consider making use of the derogations process under Article 6(4) of the Habitats Directive.

# HRA frontloading update

We are currently undertaking a number of additional projects to support future plan-level HRA

- **Cable protection and mitigation** – a review of cable burial, protection and mitigation techniques and how benthic and intertidal habitats have been affected/recovered
- **Foraging range review** – an extensive literature review to systematically compile all available information on seabird foraging ranges available since Thaxter et al. (2012)
- **Cumulative Impact Assessment tool** – a project to develop a common consensus on a cumulative effects framework tool
- **Underwater noise** – desk based study of methodologies to reduce noise at source and mitigation types
- **Seabird density project** – review of data needs and report to identify and quantify likely risk to key species that are qualifying SPA features within a region



# Offshore Wind Leasing Round 4

Key aspects of AfLs and leases

Ben Barton

# Round 4 leasing process

## Pre-qualification questionnaire (PQQ)

Assesses potential Bidders' financial capability, technical experience and legal compliance to pre-qualifying for the ITT Stage 1 process.

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## Plan-level HRA

In accordance with our role as a Competent Authority under the Habitats Regulations, we will undertake a Plan-Level Habitats Regulations Assessment (HRA) to assess the possible impact of the awarded projects on relevant nature conservation sites of European importance.

## Agreement for Lease (AfL)

We will enter into a Wind Farm AfL with successful Bidders.

# Overview of property documentation

The tender process will culminate in the following documents:

- Agreement for lease (wind farm)
- Form of lease (wind farm)
- Form of agreement for lease (transmission)
- Form of lease (transmission)
- Security documents where required
- At this stage we are focussing on the AfL and lease for the wind farm
- Heads of terms for all documents will be provided at PQQ, & full documents provided at ITT to pre-qualified bidders





# Agreement for lease (AfL)

Principal agreement under which seabed rights are awarded following the tender process

## Key features

- Provides the option to take a seabed lease, or leases, once consent has been obtained
- Overall **10 year option** period from the start of the AfL to expiry – by which point any lease(s) would need to be entered into
- Provides rights to carry out surveys and install instruments
- Contains **two milestones** - relating to i) the commencement of development activity and ii) the submission of consent applications
- The proposed tenant for the AfL will be proposed during the PQQ stage and can be an individual company, an incorporated joint venture or an unincorporated joint venture
- Option fees will be paid annually
- Security must be provided by letter of credit for 1-2 years' option fee payments plus £500,000 (indexed).



# Agreement for lease – key terms

Parameter	The Crown Estate Position (What)	Reasoning (Why)
Option Period	10 years, with a break allowed from the 2 <sup>nd</sup> anniversary of the AfL subject to a break fee equal to one year's option fee payment	To allow sufficient time for consenting and CfD auctions
Milestones	<p>Milestone 1: Development activity commences within 18 months of AfL entry, evidenced by:</p> <ul style="list-style-type: none"> <li>a) Geophysical surveys commenced; OR</li> <li>b) Ornithological surveys commenced; OR</li> <li>c) EIA Scoping Report submitted</li> </ul> <p>Milestone 2: Consent application for offshore wind farm and export cable route submitted within 5 years of AfL entry.</p>	To maintain delivery of the project to an agreed timeline
Milestone extensions	<p>Milestone 1 may be extended in three month increments (maximum 2 increments) for an extension fee per increment of £50,000/GW (indexed)</p> <p>Milestone 2 may be extended in six month increments (maximum two increments) for an extension fee per increment of £425,000/GW (indexed)</p>	To allow for flexibility in milestones in the event of unavoidable delays
Buffer zone	5km around AfL boundary, unless the counterparty agrees otherwise	To provide certainty around the closest proximity of future projects
Power density at lease	Minimum power densities will scale with project size calculated using the following formula: <i>Minimum power density = 7.5 – (capacity / 600)</i>	To optimise use of the seabed

# Agreement for lease – key terms

Parameter	The Crown Estate Position (What)	Reasoning (Why)
Flexibility on capacity	Reduction of up to 25% by lease (to align with consent application or on entry to the lease). Pro-rata reduction in annual option fee.	To allow for flexibility resulting from the CfD and consenting processes
Phasing	Multiple leases can be granted from a single AfL (each phase subject to minimum density requirement)	To allow flexibility around project construction and CFDs
OFTO cable routing	Tenant required to apply for a transmission AfL at least 12 months prior to the proposed date for submission of the Development Consent Order. Subject to TCE's approval of the cable route.	To ensure approval of the cable route in a timely manner and to optimise use of the seabed
Change of ownership / control	During the period prior to consent, this would only be possible with The Crown Estate's permission. Ongoing compliance with PQQ & ITT financial criteria would be required. After consent, total aggregate changes of less than 25% are permitted without permission.	To preserve the counterparty's obligation to obtain consent.  Any agreement of changes preserves the technical and financial requirements of the PQQ and ITT
Reporting	Data to be provided to The Crown Estate at six-monthly intervals Health and safety incidents to be reported to The Crown Estate. The Tenant must also collaborate in industry Health and Safety initiatives	To encourage the sharing of data and industry learning
Security	A letter of credit must be provided to cover 1-2 years' option fee payments plus £500,000 (indexed).	To ensure the minimum obligations of the AfL can be met



# Option Fee structures

- We will award 10 year options through the Round 4 process, giving access to the seabed for wind energy development
- To reduce the up-front capital requirement for developers, Option Fees will be payable on an annual basis subject to an initial 3 year commitment
- To reduce financial risk for developers and ensure that payments only apply where projects are progressing, the developer may exit from year 3, subject to providing advance notice

# Option Fee payment structure

One annual payment of the Option Fee for a provisionally awarded site is payable immediately on award and taken as a deposit, with funds received between bidding cycles

On entry to the AfL, the deposit is converted to form the first year's option fee payment. At this time, AfL security must be provided (£500k plus two further years of option fee payments)

Minimum payment commitment 3 years



From the start of year 2 and thereafter, annual Option Fee payments must be made. Ongoing AfL security reduces to £500k plus one year of Option Fee payment

If the developer enters into the Lease earlier than year 10 of the option period, then no further annual instalments of the Option Fee are payable by the developer

# Form of lease

Principal agreement providing seabed rights for construction and operation of the project

Key features:

- Lease term will be **60 years** to enable two project lifecycles if required
- Contains a requirement to build the project against set milestones
- The Crown Estate charges rental at 2% of project revenue, subject to a minimum rent
- The AfL counterparty would be expected to sign the lease, subject to provision of financial security



# Lease – key terms

Parameter	The Crown Estate Position (What)	Reasoning (Why)
Lease term	60 years	To allow for two project life cycles and decommissioning
Milestones	Onsite construction work to commence (the implementation date): 1 year from the commencement date Generation date: three years from the commencement date. Works completion date: four years from the commencement date	To maintain delivery of the project to an agreed timeline
Rent – paid quarterly	Pre-generation rent level set at the lower of (a) the annual option fee payment and (b) the base rent (previously called ‘minimum rent’) The base rent is calculated by multiplying the minimum output (80% of the projected output in MWh) by £0.90 (indexed) Once operational, rent is the greater of (a) 2% of gross project turnover, (b) the minimum output multiplied by a fee (based on the average gross turnover over the prior two years) and (c) the minimum rent.	Rental consideration for use of the seabed, based on all revenue streams for the project
Innovation incentive	50% rental reduction applied for up to 10% of the project capacity which is identified and approved as being innovation	To incentivise innovation as part of the project
Break rights	Restriction on counterparty break for 25 years post-works completion, 3 year rolling break permitted thereafter	To require commitment from the counterparty for a full life-cycle operation, with flexibility thereafter
Buffer zone	5km around lease boundary, unless the tenant agrees otherwise	To provide certainty around the closest proximity of future projects

# Lease – key terms

Parameter	The Crown Estate Position (What)	Reasoning (Why)
Change of control & ownership	During the period prior to works completion, total aggregate changes of less than 25% are permitted without The Crown Estate's permission. After this time, total aggregate changes of less than 50% are permitted. Any greater change requires permission from The Crown Estate	To allow project divestment during the term of the lease
Security	Security to be provided where the counterparty has limited covenant strength. Capped at 3 years of rent plus £500,000 (indexed).	To ensure the obligations of the lease can be met
Operational performance	The Tenant must participate in a system for benchmarking the performance and reliability of operational offshore wind farms (eg. SPARTA). The Tenant must operate the project using an asset management system that has been certified to, or is commensurate with, ISO 55000 A late-life asset management plan is to be provided	To encourage industry benchmarking of performance and good asset management practice
Reporting	Data to be provided to The Crown Estate at six-monthly intervals Health and safety incidents to be reported to The Crown Estate. The Tenant must also collaborate in industry Health and Safety initiatives	To encourage the sharing of data and industry learning
Decommissioning	Decommissioning to be agreed with BEIS under the Energy Act 2004 where applicable	To ensure effective project decommissioning in compliance with legislation



# Transmission AfL and Lease

## Transmission Agreement for Lease – Key Features:

- Under the Wind Farm AfL, the tenant is required to apply for a transmission AfL at least 12 months prior to the proposed date for submission of the Development Consent Order.
- TCE will then consider the proposed cable route against our published guidance
- Subject to approval, a Transmission AfL will be granted
- This contains similar rights and obligations as the Wind Farm AfL

## Transmission Lease – Key Features:

- Generally granted at the same time as the Wind Farm Lease
- Assigned to a licenced OFTO once the wind farm becomes operational
- Gives seabed rights for export cable(s), converter station(s) and substation(s)
- Same 60 year term as the Wind Farm Lease
- Small (£1000 per annum) rental whilst the wind farm is operational



# Offshore Wind Leasing Round 4

## Tender evaluation approach and appeals

Jonny Boston

# Tender evaluation approach

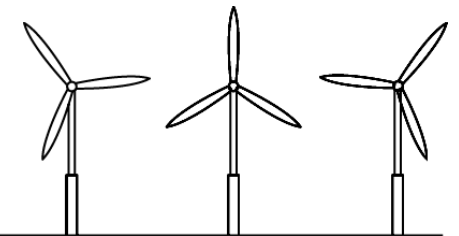
We will be supported by our external advisors in assessing Bidders' submissions:

- Legal: Hogan Lovells International LLP
  - Financial: KPMG LLP
  - Technical: Renewables Consulting Group
- Spatial analysis during ITT will be undertaken by The Crown Estate's team of GIS analysts.
  - Responses to each question will be evaluated independently by two subject matter experts from the relevant specialist organisation and then moderated by a senior member of that team.
  - If we need to ask Bidders to clarify any aspect of their submission, we will do so bilaterally via the eTendering portal.
  - The Crown Estate will review the specialists' recommendations, make a final decision on the outcome, and communicate this bilaterally to each Bidder via the eTendering portal (including the reasons why any given Bidder or Project has been unsuccessful)

# Provision for appeals

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- In the event that a Bidder believes that we have incorrectly excluded them from participation in Round 4, it will be able to appeal that decision.
- In the event that a Bidder believes that we have incorrectly excluded one or more of its Projects at the end of ITT Stage 1 it will also be able to appeal that decision.
- To be valid, an appeal will need to:
  - be received in writing via the eTendering Portal, within the relevant timeframe (within one week of outcome notifications for PQQ, and within two weeks of outcome notifications for ITT Stage 1);
  - set out full details of all legal and factual grounds on which the appeal is being made.
- Appeals will be considered by an independent decision maker within The Crown Estate
- The Crown Estate intends to advise the Bidder of the outcome of the appeal within two working weeks

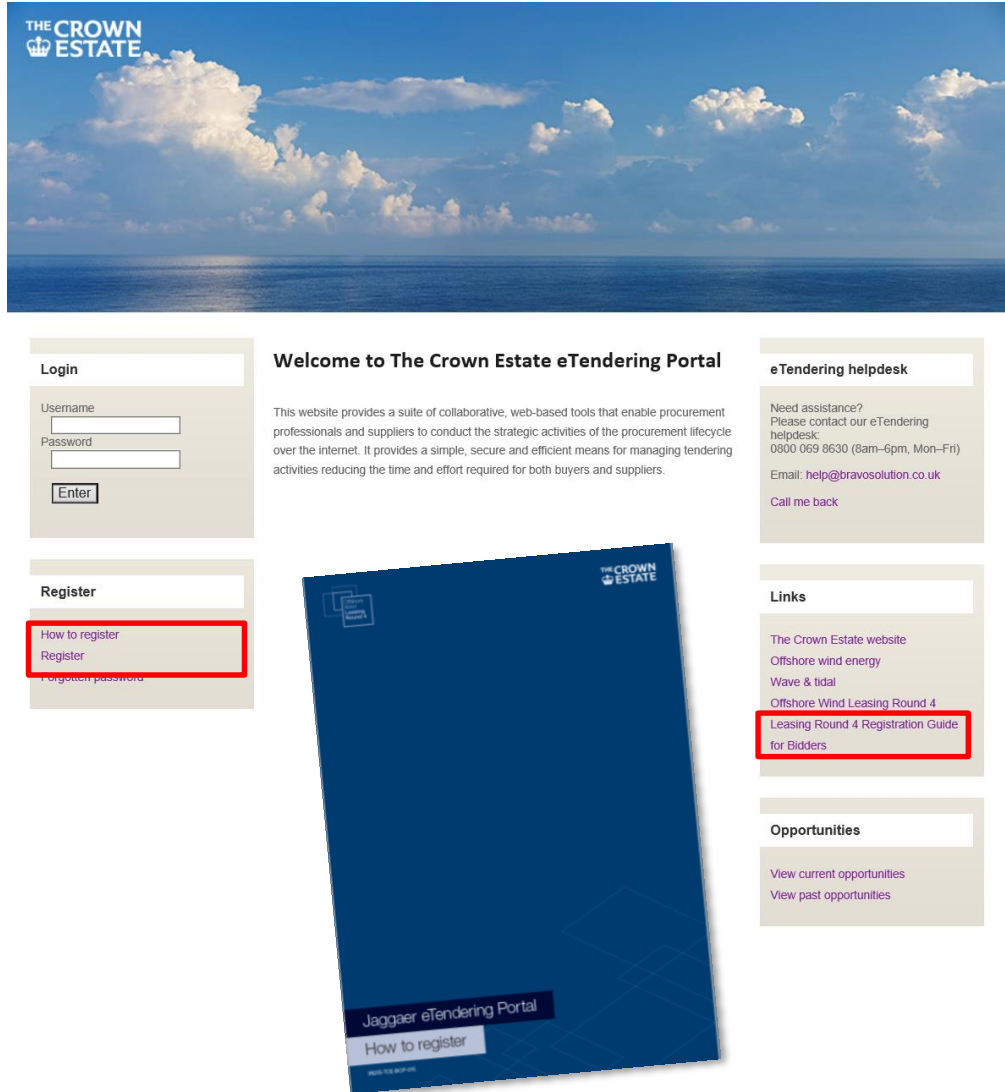


# Offshore Wind Leasing Round 4

Our eTendering portal

Jonny Boston

# eTendering portal - How to register



The Crown Estate's eTendering portal can be accessed by potential Bidders using the link: <https://etendering.thecrownestate.co.uk/>

- A registration guide is available on this site and on our website, explaining how to register on the portal, and how to express interest in the PQQ.
- Bidders will initially need to review the Round 4 specific User Acknowledgment which contains the Terms and Conditions and complete the 'Offshore Wind Leasing Round 4 Expression of Interest' questionnaire.
- Eligible parties will receive an email confirming their invitation to the PQQ once it opens.

# eTendering portal – Consortium member and advisor access

---

- Individual members of a proposed Consortium may each register for access to the PQQ.
- However, Consortium Member responses cannot be merged across multiple eTendering portal accounts, and Consortium responses will therefore need to be completed by the Lead Member on behalf of all Consortium Members.
- Bidders must have a genuine intention and be eligible to participate in Leasing Round 4 as a Sole Bidder or Consortium Member before access to the PQQ documents will be granted. Advisors, potential DSPs and other interested groups will not be granted access.
- Potential Bidders will therefore need to share relevant questions with their advisors (including DSPs) during the PQQ process.
- A user guide will be made available within the PQQ on the eTendering portal, providing specific user instructions.
- Please note the importance of saving regularly when completing the questionnaire.

# eTendering portal – Assistance



## PQQ Clarification Question pro forma

Bidders wishing to raise Clarification Questions must use this pro forma. Please use a separate sheet for each question you wish to submit.

PQQ document cross-reference	<i>Please indicate the Section of the PQQ document to which your question relates.</i>
------------------------------	--

Clarification Question	
------------------------	--

What type of question is this? <small><i>Please indicate your answer by marking 'X' in the relevant box.</i></small>	Legal	Technical	Financial	General
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Is this question confidential or commercially sensitive to the extent that it and TCE's response to it should not be circulated to other Bidders? <small><i>Please indicate your answer by marking 'X' in the relevant box.</i></small>	Yes	No
--	-----	----

If you have answered "Yes" to this question, please explain the nature of the commercial sensitivity or confidentiality.

- At PQQ a clarification question template will be used to help to direct clarification questions to the relevant people.
- Participants will need to use the 'Messages' tab to upload the template, populated with their clarification request.
- Clarification questions and answers will be anonymised and shared with all parties who have been invited to access the PQQ documentation.
- Clarification requests can be made for the first four weeks from PQQ opening
- For help using the portal itself Bidders can click the 'help' icon at the top of the page.
- For technical support please contact the Jaggaer helpdesk on:
  - T: 0800 069 8630 (available Mon–Fri 8am–6pm)
  - E: [help@bravosolution.co.uk](mailto:help@bravosolution.co.uk)

# Offshore Wind Leasing Round 4

Next steps & timeline

Jonny Boston



# Round 4 leasing process

## Pre-qualification questionnaire (PQQ)

Oct 2019 – Jan 2020  
(14 weeks)

Assesses potential Bidders' financial capability, technical experience and legal compliance, with successful Bidders pre-qualifying for the ITT Stage 1 process (becoming a Pre-qualified Bidder).

## Invitation to Tender Stage 1 (ITT Stage 1)

Feb – Jun 2020  
(18 weeks)

Assesses the financial and technical robustness of projects submitted by Pre-qualified Bidders. Projects that pass will then be eligible to take part in the ITT Stage 2 process (becoming Eligible Bidders with Eligible Projects).

## Invitation to Tender Stage 2 (ITT Stage 2)

Sept 2020  
(1 – 4 weeks)

A multi-cycle bidding process, using option fees bid by Eligible Bidders to determine award. One project will be awarded per daily Bidding Cycle, with Bidding Cycles continuing until the 7 GW has been awarded or exceeded (up to 8.5 GW). On being successful in a daily bidding cycle, a Bidder will need to enter into a Preferred Bidder Letter and pay an Option Fee Deposit.

## Plan-level HRA

Autumn 2020 – Summer 2021

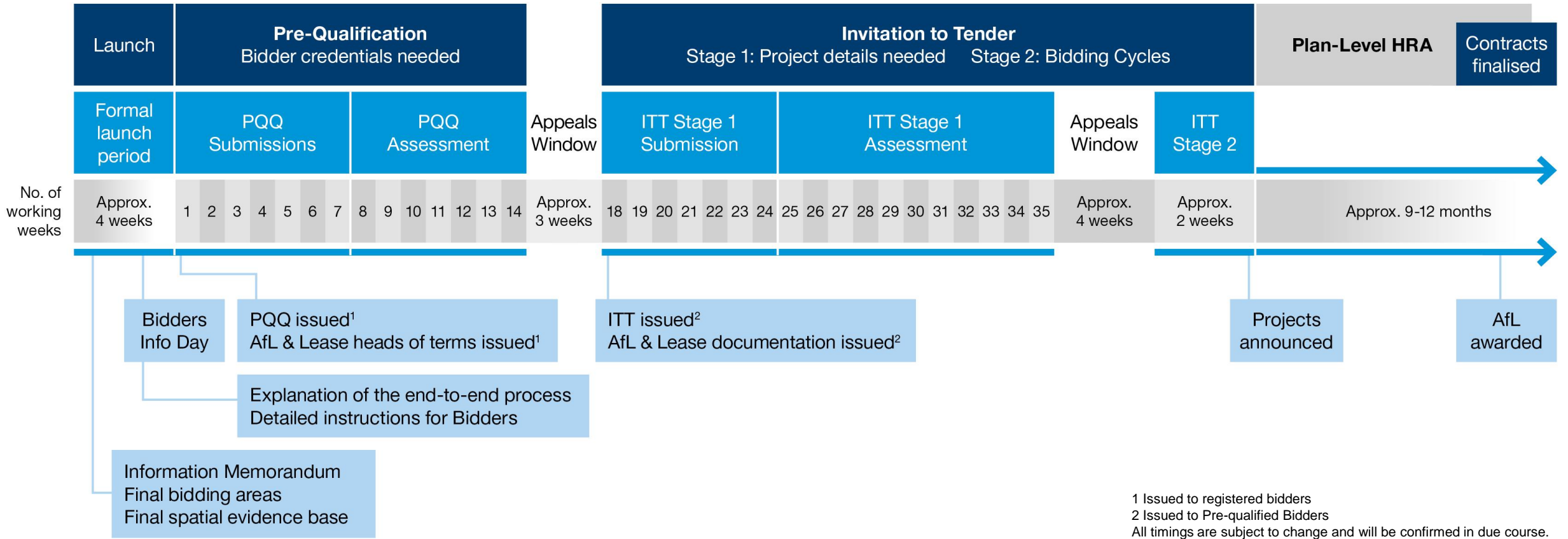
In accordance with our role as a Competent Authority under the Habitats Regulations, we will undertake a Plan-Level Habitats Regulations Assessment (HRA) to assess the possible impact of the awarded projects on relevant nature conservation sites of European importance.

## Agreement for Lease (AfL)

Autumn 2021

We will enter into a Wind Farm AfL with successful Bidders.

# Full process tender timeline



# Anticipated dates

## PQQ

Activity	Indicative Timetable
IM issued (Round 4 launch)	19 September 2019
Bidder Information Day	9 October 2019
PQQ issued	w/c 14 October 2019
Deadline for Bidders to submit PQQ Clarification Questions	8 November 2019
PQQ Response Deadline	29 November 2019
Appointment of Prequalified Bidders	w/c 27 January 2020
Feedback to unsuccessful Bidders	w/c 27 January 2020

All dates are indicative and subject to change

Dates for each stage will be confirmed at the start of each stage

## ITT Stage 1

Activity	Indicative Timetable
ITT issued to Prequalified Bidders	February 2020
Deadline for Bidders to submit ITT Clarification Questions	March 2020
ITT Response Deadline	April 2020
Appointment of Eligible Bidders in respect of Eligible Projects	June 2020
Feedback to unsuccessful Bidders	June 2020

## ITT Stage 2

Activity	Indicative Timetable
Bidding Cycles	September 2020



# Stay informed



## Stay informed by:

- Visiting our website: [thecrownestate.co.uk/round4](https://thecrownestate.co.uk/round4)
- Emailing us at: [Round4@thecrownestate.co.uk](mailto:Round4@thecrownestate.co.uk)

