

Hornsea Project Three
Offshore Wind Farm



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Appendix 53 to Deadline I Submission - Funding Statement
Annex 1 – Dalcour Maclaren Letter

PINS Document Reference: APP-030
APFP Regulation 5(2)(h)

Revision A

Date: 7th November 2018

Document Control			
Document Properties			
Organisation	Ørsted Hornsea Project Three		
Author	Richard Grist		
Checked by	Pinsent Masons LLP		
Approved by	Andrew Guyton		
Title	Funding Statement Annex 1 – Dalcour Maclaren Letter		
PINS Document Number	APP-030		
Version History			
Date	Version	Status	Description / Changes
14/05/2018	1	Final	Initial Submission of Application
07/11/2018	A	Final	Submission at Deadline 1 (7 th Nov 2018)

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Front cover picture: Kite surfer near a UK offshore wind farm © Ørsted Hornsea Project Three (UK) Ltd., 2018

Our Ref: Ørsted.161241
Your Ref:

6th November 2018

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Dear Sirs,

Ørsted Hornsea Project Three (UK) Limited ("The Applicant")
Hornsea Project Three Offshore Wind Farm ("Hornsea Three")

I write in connection with the proposed Funding Statement for the Hornsea Project Three Offshore Wind Farm "Hornsea Three".

Summary of Experience

I am a qualified member of the Royal Institution of Chartered Surveyors and a Fellow of the Central Association of Agricultural Valuers. I have been employed by Dalcour Maclaren for 13 years and throughout this time have specialised in working in the utilities and infrastructure sectors acting for and on behalf of numerous statutory undertakers and offshore wind farm developers.

During this time, I have provided strategic advice to clients relating to Compulsory Purchase Orders (CPO) and Development Consent Orders (DCO) under the Planning Act 2008. I have also taken a leading role in securing voluntary agreements for rights associated with large scale linear utility projects including Option Agreements, Deeds of Grant of Easement, Lease Agreements, and Freehold Acquisitions with a broad spectrum of land interests including owners, occupiers and third-parties.

During the course of my professional career, advice has been provided to multiple offshore wind farm projects, including;

No	Project Description	Location	Length (km)
1	Hornsea Project One	Lincolnshire	37
2	Hornsea Project Two	Lincolnshire	37
3	Triton Knoll	Lincolnshire	60
4	Dogger Bank (Forewind)	East Riding of Yorkshire	35
5	Burbo Bank Extension	Denbighshire	11
6	Race Bank	Norfolk	11

“Hornsea Three” Specification

Hornsea Project Three is a new offshore wind farm that Ørsted is proposing to develop in the North Sea, approximately 120 km off the North Norfolk coast. The offshore wind farm will be capable of generating approximately 2.4 GW, which is enough power for the average daily needs of well over 2 million UK homes.

It involves a new offshore and onshore cable route to connect into the National Grid at the existing Norwich Main Substation (Mangreen/Dunston), just south of Norwich. The offshore cable route will be up to 163km and the onshore cable route approximately 53km in length. There may be a requirement for an onshore High Voltage Alternating Current (HVAC) Booster Station and either a High Voltage Direct Current (HVDC) converter station or a HVAC substation. The final transmission technology chosen will determine which of these options is selected as the final Onshore Substation (OnSS).

During construction the onshore cable corridor will have a standard working width of 80 metres that may be wider in certain locations due to complex crossings, obstructions or storage areas, along the 53km onshore cable route. This equates to a total area required for construction of 488 hectares including an allowance for severed areas. The width of the area over which permanent rights will be required for the onshore cables is approximately 60 metres.

“Hornsea Three” Experience

I have been acting on behalf of Ørsted on “Hornsea Three” for the past 2 years since our instruction in 2016. Negotiations with land interests affected by the onshore cable route, the HVAC, OnSS and Construction Compounds have been ongoing throughout this period. The Dalcour Maclaren team has an excellent working knowledge of the proposed cable route and associated sites and all plots have been assessed against the Funding Statement requirements.

The Instruction

My particular involvement has been to advise on the land acquisition strategy and assess the required funding associated with the acquisition of land and rights using my extensive experience of other similar projects.

My advice relates to compensation arising from the compulsory acquisition of land and rights and is based on a detailed assessment of anticipated claims. Whilst that advice is confidential, I can explain the approach taken.

This letter sets out an estimate of the total contingent liability for the acquisition of land and rights to be acquired by “Hornsea Three” for the purpose of delivering the onshore works element. This assessment will outline the likely Heads of Claim associated with a project of this nature, if rights are acquired via the grant of DCO should voluntary negotiations be unsuccessful and the associated financial figure that may be required as payment to all landowners, occupiers and third parties affected by “Hornsea Three”.

The following claim items will be considered in this assessment;

- Acquisition of land rights (and imposition of restrictions) or freehold land
- Crop Loss

- Disturbance compensation arising from temporary works
- Third party Professional Fees
- Severance and Injurious Affection
- Blight
- Claims arising under Section 10 of the Compulsory Purchase Act 1965
- Claims arising under Part 1 of the Land Compensation Act 1973

The relevant legislation covering the claim items listed above has also been considered in this assessment including Compulsory Purchase Act 1965, Land Compensation Act 1961 and 1973 and the Planning Act 2008.

Any figures for the above claim items are based on my professional judgement and experience of similar schemes.

Any figures provided are based on the technical and construction information provided by Ørsted and the land take required through all plots contained within the DCO application.

Acquisition of Freehold Land

It is proposed that the freehold of plots will be acquired for the purposes of the OnSS and HVAC booster station site including any landscaping, access and mitigation land. The value of those plots has been assessed by reviewing the open market value of the land in its existing use, but disregarding the fact that the land is being compulsorily acquired. I have also considered whether any hope value might exist.

My assessment of the freehold acquisition costs is set out below:

	Net Value (£)	10% Contingency (£)	Total Estimated (£)
OnSS & HVAC	4,650,000	465,000	5,115,000

Acquisition of Land Rights

It is proposed that permanent rights will be acquired to install, inspect, maintain, repair, alter, renew, replace, and remove the onshore cables.

My assessment of the costs of acquiring the necessary land rights is set out below:

	Net Value (£)	10% Contingency (£)	Total Estimated (£)
Cable Lease	7,632,000	763,200	8,395,200
Construction Yards	2,280,000	228,000	2,508,000

Disturbance Compensation

Disturbance arises as a consequence of the temporary works which are undertaken to install the onshore cables and construct the OnSS and HVAC booster station sites.

The disturbance compensation is assessed having measured the extent of the Order Land over each holding, the method of installation and the land use. A review of the compensation due following both non-intrusive and intrusive surveys has also been considered.

In summary, my assessment has included loss of crops, business losses, losses associated with above ground structures, reinstatement costs and extra field workings, temporary site compounds, loss subsidies and grants, claimants justified time and other miscellaneous factors.

My assessment of the estimated disturbance costs is set out below:

	Net Value (£)	10% Contingency (£)	Total Estimated (£)
Disturbance Compensation	7,538,617	753,862	8,292,479

Third Party Professional Fees

Ørsted has provided an undertaking to meet the fees of third party land agents. The undertaking provided is in line with that offered on other comparable schemes. A 10% contingency has been taken into account for any unforeseen matters.

Ørsted has provided an undertaking to meet the grantors' reasonable legal fees. As with agents' fees, a 10% contingency has been included to cover unforeseen matters.

My assessment of the estimated third party professional fees is set out below:

	Net Value (£)	10% Contingency (£)	Total Estimated (£)
Third Party Professional Fees	768,000	76,800	844,800

Severance

Severance occurs when the land, or land over which rights are to be acquired, contributes to the value of the land which is retained, so that when severed from it the retained land loses value. In this instance, the majority of land along the route is agricultural and once the onshore cables are installed there will be no permanent severance of land. As such only a small allowance has been made for temporary severance as a result of the Project as part of the disturbance compensation figure.

It is not anticipated that there will be any claim for severance due to a reduction in the value of retained land at either the OnSS or HVAC sites.

Injurious Affection

Injurious affection is the depreciation in value of the retained land as a result of the proposed construction on, and use of, the land acquired by the Applicant for the scheme. It is the impact of the whole of the proposed scheme that is to be considered not just the effect on the area acquired from a qualifying interest. Compensation is claimable both for the construction of the works and their subsequent use.

I consider that the only claims for injurious affection which may arise would be as a direct result of the OnSS and/or HVAC sites. However, when considering the impact of these two sites and how they may impact on the value of the retained land, it is thought that the value of such injurious affection is minimal and as such there is a low prospect of a successful claim.

Blight

It is not anticipated that any claims for statutory blight will arise as a result of the promotion of the DCO.

For a blight notice to be accepted, and compensation to be payable, it must be supported by evidence that the claimant has made reasonable endeavours to sell the land in question and that he has been unable to do so or could do so only at a price substantially lower than that for which it might reasonably have been expected to sell.

Throughout the course of negotiations with all landowners and occupiers along the route, I am not aware of any attempts to sell any of the affected land that has resulted in the land only being able to be disposed of at a significantly lower value or any parties intending to serve a blight notice.

I am not aware of any agricultural land that has sold at a price substantially lower than market value as a result of electrical cables being present.

I have therefore not included any liability for blight claims.

Claims arising under Section 10 of the Compulsory Purchase Act 1965 and Part 1 of the Land Compensation Act 1973

In circumstances where no land is taken on the exercise of statutory powers granted under a DCO, compensation may be payable when there is a reduction in the value of land caused by the execution or the use of such powers. The right to compensation is set out under Section 10 of the Compulsory Purchase Act 1965 and Part 1 of the Land Compensation Act 1973. Whilst there is unlikely to be any likelihood of a successful claim due to the execution of such works or the use of the cables once installed, it is possible that a qualifying interest may make a claim as a result of the use of the public works due to the presence of the OnSS and HVAC sites, specifically in relation to artificial light and noise.

However, based on the Environmental Statement (ES) which advises that there will be no significant effects relating to light or noise due to mitigation measures to be adopted, it is not considered that any of the properties around the substation would be able to submit a valid claim.

Loss of Development & Minerals

Since submission of the Application, further discussions have taken place with certain landowners regarding the development potential of their land. It is acknowledged that certain land parcels may have development potential and the implementation of any such development (upon grant of permission under the Town and Country Planning Act 1990) may be prevented or restricted as a result of rights granted and restrictions imposed under the DCO. For the avoidance of doubt development in this context may include but is not limited to residential, commercial or mineral extraction.

Where the compulsory acquisition of rights and imposition of restrictive covenants pursuant to the powers in the DCO restricts or prevents such development potential, any proven and mitigated loss of development value will be compensatable.

Whilst the onshore cable route for Hornsea Three does not cross any land with planning permission for development, we have taken a very conservative approach and included an allowance of £14,500,000 for compensation for loss of development and minerals for the purposes of this funding assessment.

Contingency for Unknown Interests

An additional contingency of 10% has been applied to the overall assessment to account for unknown interests.

Total Contingent Liability Estimate

Set out below is the total estimated liability:

Item	Total (£)
Acquisition of Freehold Land	5,115,000
Acquisition of Land Rights	10,903,200
Disturbance Compensation	8,292,479
Third Party Professional Fees	844,800
Loss of Development and Minerals	14,500,000
Contingency for Unknown Interests	3,965,548
Total	43,621,027

Conclusion

Based on the information outlined above, it is my considered expert opinion that the potential liability for compensation resultant from the grant of powers under a DCO, is predicted to be **£43,621,027**. This includes a full compensation assessment for all land along the onshore cable route (encompassing both the HVAC and HVDC transmission systems), OnSS and HVAC sites. This sum would only be required upon implementation of the powers being sought in the DCO.

Yours sincerely,



Andrew Barker MRICS FAAV
Director