


MORGAN AND MORECAMBE OFFSHORE WIND FARMS: TRANSMISSION ASSETS

Funding Statement

Annex 2: Morecambe Offshore Windfarm Ltd Property Cost Estimate



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Property Cost Estimate Report

Morgan and Morecambe Offshore Wind Farms: Transmission Assets
Morecambe Offshore Windfarm Limited
Tuesday, 24 September 2024



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Project

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1.0 Introduction

1.1 Background

This Property Cost Estimate has been produced to inform the Funding Statement in accordance with instruction from Morecambe Offshore Windfarm Limited “the Applicant” in respect of the Morgan and Morecambe Offshore Wind Farm: Transmission Assets (the ‘Project’).

The Funding Statement is submitted by the Applicant as part of its application to the Secretary of State for a development consent order for the construction, operation and decommissioning of the Project.

The Morecambe Offshore Wind Project will have a maximum export capacity greater than 100 megawatts (MW). The generation assets for the Morecambe Offshore Wind Project are located in the east Irish Sea approximately 30km from the northwest coast of England and an application for a development consent order has separately been submitted for these under the Morecambe Offshore Windfarm Generation Assets application (reference EN010121).

Both the Morgan Offshore Wind Project and the Morecambe Offshore Windfarm were scoped into the ‘Pathways to 2030’ workstream under the Offshore Transmission Network Review (OTNR). The OTNR aims to consider, simplify, and wherever possible facilitate a collaborative approach to offshore wind projects connecting to the National Grid.

Morgan Offshore Wind Limited and Morecambe Offshore Windfarm Limited being in agreement with the output from the Holistic Network Design Review (HNDR) are jointly seeking a single consent for transmission assets comprising aligned offshore export cable corridors to landfall and aligned onshore export cable corridors to separate onshore substations, and onward connection to the National Grid at Penwortham, Lancashire.

The Morgan Offshore Wind Project and the Morecambe Offshore Windfarm are being developed by two separate legal entities, each with different joint venture partners. They must be constructed and remain electrically separate.

The following construction scenarios have been identified for the development of the Morgan Offshore Windfarm: Transmission Assets and the Morecambe Offshore Windfarm: Transmission Assets.

- Scenario 1: Isolation:
 - Construction of the Morgan Offshore Wind Project: Transmission Assets only (i.e. where the Morecambe Offshore Windfarm does not proceed to construction); or
 - Construction of the Morecambe Offshore Windfarm: Transmission Assets only (i.e. where the Morgan Offshore Wind Project does not proceed to construction).

- Scenario 2: Concurrent construction i.e., construction of the Morgan Offshore Wind Project: Transmission Assets and the Morecambe Offshore Windfarm: Transmission Assets at the same time.
- Scenario 3: Sequential construction, where the Morgan Offshore Wind Project: Transmission Assets are constructed first and the Morecambe Offshore Windfarm: Transmission Assets are constructed second, or vice versa. This may include:
 - Immediate sequential construction of the Transmission Assets with no gap between the completion of construction of the transmission assets for the first project and commencement of construction for the second project; and

- Sequential construction with a gap of up to a maximum of four years between completion of construction of the transmission assets for the first project and commencement of construction for the second project.

For the purpose of this PCE, the assessment has been undertaken on Scenario 1b for the Morecambe Offshore Windfarm: Transmission Assets Only. A separate PCE (doc ref D1.1) is provided for the Morgan Offshore Windfarm: Transmission Assets. The assessment has been based on the total area required for construction of the Morecambe Offshore Windfarm: Transmission Assets which is in the region of 503 hectares including an allowance for severed areas. The width of the area of which permanent rights will be required for the Morecambe Offshore Windfarm: Transmission Assets onshore cables is 25 metres between landfall and the onshore substation and 25 metres width between the Morecambe onshore substation and National Grids substation at Penwortham.

This advice relates to compensation arising from the compulsory acquisition of land and rights, imposition of restrictions, together with other statutory claims liabilities arising out of the Project and is based on a detailed assessment of anticipated claims.

1.2 Dalcour Maclaren’s Instruction

Dalcour Maclaren (‘DM’) has represented the Morecambe Offshore Windfarm: Transmission Assets since instruction in 2022. Consultation and negotiations with landowners, tenants and occupiers affected by the onshore cable route, the onshore substation and construction compounds have been ongoing since 2022. DM have an excellent working knowledge of the proposed cable route and associated sites and all land plots have been assessed to produce this PCE.

1.3 Dalcour Maclaren’s Experience

DM have been working in the utilities and infrastructure sectors since 2004 and have acted for and on behalf of numerous statutory undertakers and offshore wind farm developers since then.

During this time, DM have provided strategic advice to clients relating to Compulsory Purchase Orders (CPO) and Development Consent Orders (DCO). DM have also been responsible for securing voluntary agreements for rights associated with large scale projects including Option Agreements, Deeds of Grant of Easement, Leases and Freehold Acquisitions with a broad spectrum of land interests including owners, occupiers and third parties.

Advice has been provided to multiple offshore wind DCO projects, including:

Project Description	Location	Approximate Length (km)
Hornsea Project One Offshore Wind Farm	Lincolnshire	40
Hornsea Project Two Offshore Wind Farm	Lincolnshire	40
Hornsea Project Three Offshore Wind Farm	Norfolk	55
Hornsea Project Four Offshore Wind Farm	Humberside	38
Burbo Bank Extension Offshore Wind Farm	Denbighshire	11
East Anglia ONE North Offshore Wind Farm	Suffolk	12
East Anglia TWO Offshore Wind Farm	Suffolk	12

Dogger Bank A&B Offshore Wind Farm	Humberside	32
Dogger Bank C Offshore Wind Farm	Teesside	10
Sheringham Shoal Extension Project and Dudgeon Extension Project	Norfolk	60
Awel Y Mor Offshore Wind Farm	North Wales	12
Sofia Offshore Wind Farm	Teesside	10
Triton Knoll Offshore Wind Farm	Lincolnshire	57

1.4 Limits or Exclusions of Liability

To the best of our knowledge, all information provided within this PCE is accurate and has been based on information provided by the Applicant as at the date of submission.

The PCE provides an indication of the compensation for the entire cable route on a holistic basis. Given the nature of the information available and enquiries made, this estimate should not be relied upon to inform the valuation of individual interests or for the purposes of negotiation. The PCE will remain under constant review and will be updated if and when new information becomes available that suggests values may change.

A precautionary approach has been taken in the assessment of the required funding in light of the requirement for the Applicant to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the time period authorised in the DCO.

2.0 Methodology

2.1 Value of the Land Taken

This PCE assesses the required funding associated with the acquisition of land and rights in land and imposition of restrictions using extensive experience of other similar projects.

DM has advised the Applicant on the Morecambe Offshore Windfarm: Transmission Assets compensation arising from the compulsory acquisition of land and rights and the imposition of restrictions and is based on a detailed assessment of anticipated claims. Whilst that detailed advice is confidential, the approach is explained within this report.

This PCE sets out an estimate of the total contingent liability for the acquisition of land and rights in land to be acquired and restrictions imposed by the Morecambe Offshore Windfarm: Transmission Asset for the purpose of delivering the onshore works element. This assessment outlines the likely heads of claim associated with a project of this nature, if land and rights are acquired via compulsory acquisition and the associated financial figure that may be required as payment to all landowners, tenants, occupiers and third parties affected by the Morecambe Offshore Windfarm: Transmission Assets.

The following claim items are considered in this assessment:

- Acquisition of freehold land and land rights (including imposition of restrictions)
- Compensation arising from temporary construction works
- Injurious affection and severance

- Blight
- Claims arising under Section 10 of the Compulsory Purchase Act 1965
- Claims arising under Part 1 of the Land Compensation Act 1973
- Claims arising under Section 152(3) of the Planning Act 2008
- Third party professional fees
- Business losses
- Loss of development and minerals

Relevant legislation covering the claim items listed above has also been considered in this assessment. This includes the 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 professional judgement and experience of similar schemes.

The values provided represent a current view, rather than a projected view, and allow for existing use values and where relevant, potential development values.

2.2 Acquisition of Freehold Land

Freehold acquisition of the relevant land plots is required for the Morecambe onshore substation, which include land requirement for any permanent landscaping ecological mitigation and land for biodiversity benefit. The value of those plots has been assessed by reviewing the market value of the land in its existing use but disregarding the fact that the land is being compulsorily acquired. Consideration has been given as to whether any development value and hope value might exist. Disturbance costs associated with the freehold acquisitions has also been included.

2.3 Acquisition of Permanent Rights

Permanent rights are needed to install, inspect, repair, replace, move, renew, operate, maintain, monitor, retain, decommission, access and remove the cable/ circuits, associated infrastructure and any ancillary apparatus or landscaping. Restrictions will also be imposed on the land so as to ensure that the cables are not damaged by surface working and the rights can be exercised without impediment. Disturbance costs associated with the acquisition of rights in land have also been included.

2.4 Compensation arising from Temporary Works

This comprises a number of heads of claims including:

- Compensation for loss or damage that will arise as a consequence of temporary occupation of land for the undertaking of works for the cable installation, substation construction, and other associated works including use of accesses, visibility splays, temporary environmental mitigation measures and drainage

- The compensation is assessed having measured the extent of the Morecambe Offshore Windfarm Project: Transmission Assets Order Land over each holding, the nature of the works involved and the existing land uses
- The estimate covers loss of livestock production, crops, business losses, losses associated with above ground structures, reinstatement costs and claimant's justified time.
- DM's understanding of the likely impact on individual businesses is still incomplete due to minimal evidence being presented to date, consequently general assumptions have been made and an assessment has been included in the PCE
- The assessment includes allowances for run off claims, following completion of the temporary works
- The assessment does not include any physical mitigation works which will be undertaken by the Applicant
- A contingency sum of 10% has been added to allow for losses sustained after the Valuation Date
- The assessment does not include any subsidy payments due to the nature of farming practices along the route. With the phasing out of the Basic Payment Scheme (BPS) and the introduction of Environmental Land Management Scheme (ELMS), it is unlikely that these will be utilised within the scheme corridor.

2.5 Injurious Affection and Severance

2.5.1 Injurious Affection

Injurious affection is the depreciation in the value of the land retained by the owner as a result of the proposed construction or use of other land acquired from that owner for the Morecambe Offshore Windfarm Project: Transmissions Assets. It considers the impact of the entire scheme, not just the area acquired. Compensation can be potentially claimed both for the construction of the works and their subsequent use.

An assessment has been made where the Morecambe Offshore Windfarm Project: Transmission Assets may depreciate the value of property, which includes residential properties close to the substation.. The valuation takes into account the market value of the relevant property and the estimated depreciated value caused directly by the Morecambe Offshore Windfarm Project: Transmission Assets .

It is considered that the most likely claims for injurious affection would arise from those residential properties which are in close proximity to the Morecambe onshore substation. This assessment relates to properties where land and rights are to be acquired, where no land and rights are to be acquired, potential claims are detailed under heading "Claims arising under Section 10 of the Compulsory Purchase Act 1965 and Part 1 of the Land Compensation Act 1973". A review of these properties has been undertaken and a general assessment made of potential impacts.

A review has also been undertaken of businesses which could be affected, and an assessment has also been made in relation to possible claims.

2.5.2 Severance

Severance occurs when land or rights over land are acquired, contributing to a reduction in the value of the retained land owing to its separation from the acquired land. In this instance, the majority of land along the Morecambe Offshore Windfarm Project: Transmission Assets route is agricultural therefore once the underground cables are installed it is considered that there should be no permanent severance of land.

An assessment has been made where land is severed either permanently or temporarily as a direct result of the Morecambe Offshore Windfarm Project: Transmission Assets, in particular around the proposed substation. The valuation takes into account the market value of the relevant property before and after any permanent severance.

An allowance has been made for temporary severance during construction works as a result of the Morecambe Offshore Windfarm Project: Transmission Assets and is included as part of the disturbance compensation figure.

2.6 Blight

Blight claims allow a qualifying interest to call for their land to be acquired early i.e., before the acquiring authority would otherwise acquire it.

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 or property in question and that the claimant has been unable to do so or could only do so at a reduced price substantially lower than that which it might reasonably have been expected to sell at.

Throughout the course of consultations and negotiations with landowners and occupiers along the route, DM have not been made aware of:

- any attempts to sell any of the affected land or property that has resulted in the land or property only being able to be disposed of at a significantly lower value or
- any parties intending to serve a blight notice.

To ensure that the funding assessment caters for any 'blight risks' properties, we have included a contingent liability for Blight claims. However, our assessment suggests the likelihood of blight claims being received is unlikely and a contingency has been included.

2.7 Loss of Development and Minerals

It is acknowledged that certain land parcels may have development potential and the implementation of any such development (which has the benefit of planning permission under the Town and Country

Planning Act 1990) may be prevented or restricted as a result of rights granted and restrictions imposed by 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 restrictions pursuant to the powers in the DCO restricts or prevents such development potential, any proven and mitigated loss of development value will be compensable.

DM have assessed compensation for loss of development and minerals extraction along the Order Limits where permanent rights or freehold acquisition is being sought which would restrict the ability for minerals to be extracted in the future which is deemed unlikely however, a contingency has been included

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

2.8.1 Section 10 of the Compulsory Purchase Act 1965

Section 10 of the Compulsory Purchase Act (CPA) 1965 provides an entitlement to compensation, subject to meeting certain criteria, to the owners of a land interest who suffer damage to their property interest as a result of the execution of works. This entitlement arises where no land is acquired from the owner and equates to a restricted form of nuisance claims. Claimants can include those whose rights or easements over land are interfered with as a result of the works (for example, a right of way over land being occupied for the Project). The basis of valuation is as set out in this PCE under the heading, General Assumptions.

DM are only aware of a small number of rights which might give rise to a valid and quantifiable claim. DM recognise that, should rights exist, they may be interrupted during construction, e.g. a restriction or temporary interruption to a designated right of way, and as such a claim for temporary injurious affection could arise. However, on the basis of secured mitigation it is assumed that as far as reasonably practicable that any impact to rights will be minimised. Consequently, the likelihood of valid and sustainable claim being made under section 10 CPA 1965 is considered to be low although an allowance for such claims has been included within the PCE.

2.8.2 Part 1 of the Land Compensation Act 1973

Part 1 of the Land Compensation Act (LCA) 1973 provides compensation provisions for the depreciation in the value of an interest in land which is attributable to the use of public works where no land has been taken from the claimant. Compensation is limited to depreciation in the market value of the qualifying land interest caused by the use of the land or works but only in so far as that depreciation is attributable to “physical factors” which are defined in section 1 LCA as noise, vibration, smell, fumes, smoke, artificial lighting, and the discharge on to the land in respect of which the claim is made of any solid or liquid substance.

It is DM's opinion that the likelihood of successful or substantial claims is low based on the actual physical factors that will arise from the use of the works (electricity cables and an onshore substation that will meet identified noise operational noise limits) and the distance of the works from potential claimants. Whilst the risk of such claims is low, an allowance for such costs has been included within the PCE.

2.9 Third Party Professional Fees

Claimants are entitled to reimbursement of reasonable professional costs incurred in connection with the claim for compensation and transfer of their interest to the acquiring authority. The figures provided include an allowance for the costs of surveyors and solicitors representing claimants. This may vary on a case-by-case basis however a 10% contingency has been applied to the identified reasonable professional costs to cover unforeseen additional costs.

The Applicant's professional costs are not included in the PCE.

2.10 Business Loss Claims

It is acknowledged that certain businesses may be disrupted as a consequence of the construction of the Morecambe Offshore Windfarm Project: Transmission Assets . Any claims which are accepted by the Applicant will have to demonstrate that they are a natural and reasonable consequence of the Morecambe Offshore Windfarm Project: Transmission Assets, with the claimant evidencing they have used reasonable endeavours to mitigate their proven losses.

An assessment has been made of the businesses which could be impacted by the Morecambe Offshore Windfarm Project: Transmission Assets.

2.11 Stamp Duty Land Tax

Morecambe Offshore Windfarm Project: Transmission Assets as the Acquiring Authority, may be liable for any Stamp Duty Land Tax (SDLT) arising as a consequence of the property transactions that secure its acquisition of land or interests in land.

Due to the nature of the land affected within the Order Limits, SDLT rates for non-residential and mixed land and property have been used. SDLT is only payable under this category where property or rights are acquired for a value in excess of £150,000. DM have applied the prevailing rates of 2% for acquisition values between £150,000 and £250,000 and 5% on any balance over £250,000.

An allowance is included within the claim items above where SDLT may be payable.

2.12 Contingency and Interest

In view of the level of information available to us at this stage, a general contingency of 10% has been added to all items included in the estimate. Additionally, because of the deferment of the payments from

the date of this assessment, compounded interest has also been added at a rate of 5% per annum through to 2034, being the estimated timescale for consenting, programming and construction.

3 Valuation Assumptions and Exclusions

3.1 General Assumptions

- The Valuation Date for all estimates is August 2024.
- The estimate has been prepared on the basis of current market values which would be payable in the event of the Applicant acquiring land rights and imposing restrictions under the terms of the DCO rather than by voluntary agreement. Associated disturbance is included.
- The estimate relies on assessments of buildings from vantage points and internal property inspections have not been undertaken. In addition, further research has been completed via the internet, media, aerial and ground photography and from investigations into comparable local valuation evidence.
- No allowance has been made for any Payments which would be payable for voluntary agreements.
- Land values are based on market values in the region.
- Unless otherwise stated DM have not investigated planning history. Our figures reflect existing use value rather than any other value. Where appropriate, we have considered potential development values or values associated with potential alternative uses.
- DM understand that there may be some temporary closures and diversions of the public highway during construction works. No allowance has been made for any potential claims for compensation other than where there are associated losses caused to businesses.
- The assessment does not include the cost of any physical mitigation or reinstatement works which will be undertaken by the Applicant. These costs form part of the overall budget which the Applicant has allocated for the likely costs of implementing the Morecambe Offshore Windfarm Project: Transmission Assets under the DCO.
- A 10% contingency has been applied throughout as set out in paragraph 2.12 and Conclusion table at 4.
- The figures, which include the contingency, are inflated by 5% per annum for a period of 10 years through to 2034.

3.2 Exclusions

Costs associated with the following property or interest types have not been included within the PCE:

- Costs associated with works undertaken on operational highways, railways, rivers, and other infrastructure
- Utility apparatus including but not limited to substations, pipes, cables, sewage treatment works, pumping stations, masts and tanks
- The Applicant's professional fees
- Costs associated and already incurred during surveys undertaken prior to the granting of the DCO
- No allowance is made for any Value Added Tax ("VAT") in this estimate

4 Conclusion

4.1 Property Cost Estimate

This is an estimate carried out using the information available to date as set out earlier in this PCE. If required, the estimate can be revised to maintain accuracy as more information becomes available.

It is our opinion that the likely costs to secure the necessary land, interests, rights and make payment of compensation is in accordance with the figures set out in the table below:

Item	Net Value (£)	Contingency (£) @ 10%	Interest (£)	Total (£)
Acquisition of freehold land	625,938	62,594	150,785	839,316
Acquisition of permanent rights	2,978,279	297,828	717,449	3,993,556
Compensation arising from temporary works	3,914,755	391,476	943,040	5,249,271
Injurious affection and severance	500,000	50,000	120,447	670,447
Blight	100,000	10,000	24,089	134,089
Claims under Section 10 CPA 1965	100,000	10,000	24,089	134,089
Claims under Part 1 of the LCA 1973	150,000	15,000	36,134	201,134
Third party professional fees	1,337,000	133,700	322,075	1,792,775
Business Loss Claims	1,800,030	180,003	433,616	2,413,649
Loss of development and minerals	100,000	10,000	24,089	134,089
TOTAL	11,606,002	1,160,600	2,795,815	15,562,417

In completing this PCE DM have maintained a consistency throughout based on our methodology and valuation assumptions and exclusions. For the reasons stated in this PCE, DM has included a contingency so that it can be stated that our estimate of property cost is **£15,562,417 (Fifteen million, five hundred and sixty two thousand, four hundred and seventeen pounds)**.


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