RENEWABLE ENERGY GENERATION

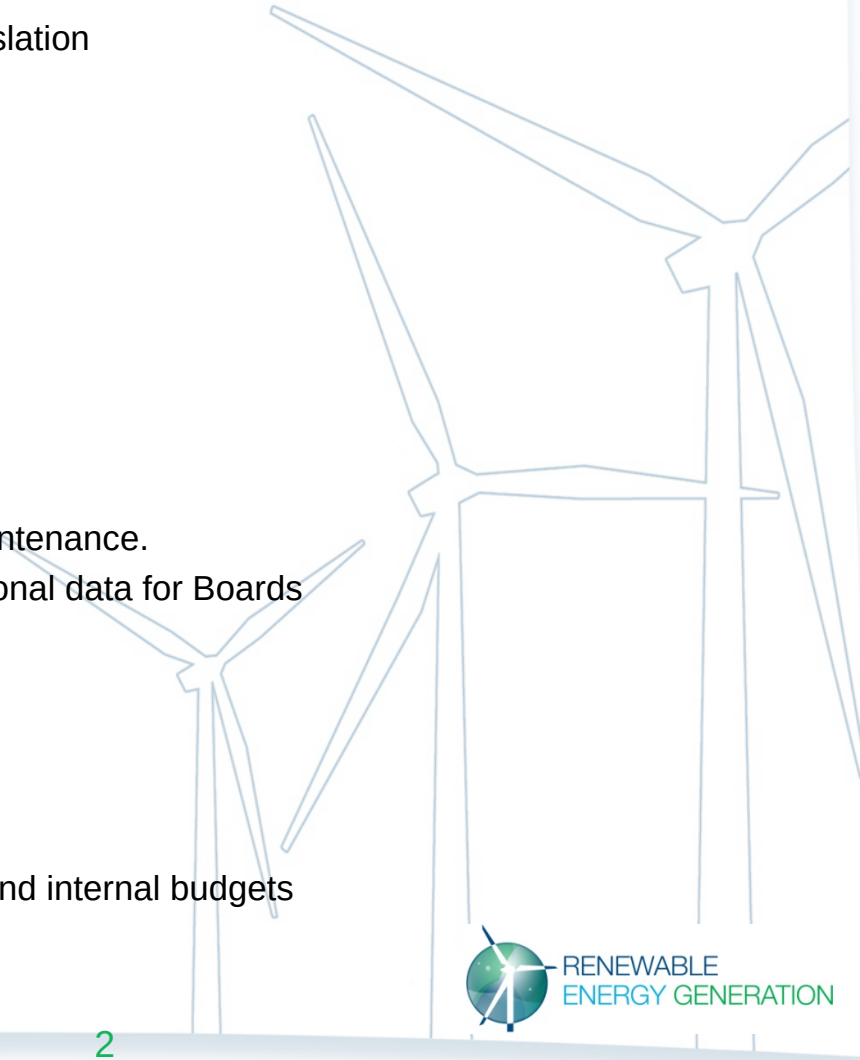
Construction and Operations

9th September 2011

Neil Harris, Construction and Operations Director

Overview of Construction and Operations

- **Health and Safety**
  - Compliance with latest UK health and safety legislation
- **Construction**
  - Turbine procurement
  - Balance of plant procurement
  - Grid
  - Daily responsibility for new project construction
- **Operations**
  - Daily operation of REG's wind farm fleet
  - Management of scheduled and unscheduled maintenance.
  - Compilation of daily, weekly and monthly operational data for Boards
- **Wind resource**
  - Oversight of REG's portfolio of 17 met masts
  - LIDAR
  - Garrad Hassan/SKM reports
  - Output of wind fleet against anticipated outputs and internal budgets



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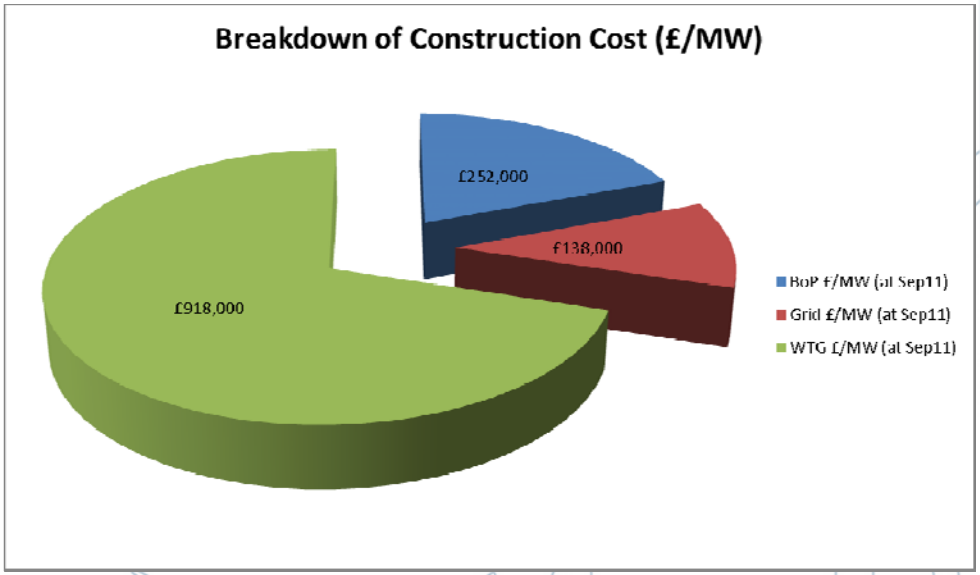
Wind farm construction optimisation

- Turbines
  - Maximisation of project return critical
  - Significant variance between manufacturers
- Balance of plant
  - Foundations
  - Electrical
  - other
- Grid
  - Grid can be a significant constraint
  - Good relationship with DNO's critical
  - REG devotes significant effort here
- Future construction costs?
  - Grid costs
  - Turbine financing
  - Noise compliance



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2010/11 construction review

Goonhilly

- 6 x 2MW Vestas turbines
- Commissioned October 2010
- 35,000MWh per annum

Loscar

- 3 x 1.5MW Acciona turbines
- Commissioned October 2010
- 10,300MWh per annum

High Haswell

- 2 x 2MW Vestas Turbines
- Commissioned March 2011
- 9,900MWh per annum

- Projects on time and to budget

Achieve cap ex target of £1.25m/MW installed

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2012 construction programme

- Sancton Hill, East Riding of Yorkshire
  - 5 x 2MW Vestas turbines
  - 100m to tip
  - 28,100MWh per annum

- South Sharpley, County Durham
  - Adjacent to existing High Sharpley site
  - 3 x 2MW turbines – 100m to tip
  - 16,400MWh per annum

- Draperstown, Northern Ireland
  - 3 x 2MW turbines (66% REG owned)
  - 110m tip height
  - 15,100MWh per annum

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Turbine markets

- Remain highly competitive
- Pricing stable at present
- Delivery dates under 12 months from signing of contracts
- Currency risk from £/€
  - Hedged at point of signing binding contract
- New competition
  - REG likely to add one further manufacturer
  - Unlikely to use Far Eastern manufacturers yet
  - Warranty issues
  - Build quality – service team availability
- Manufacturers offering longer term all inclusive contracts.
  - Advantageous when financing schemes
  - Assess against alternative service providers

Turbine market outlook remains positive for REG

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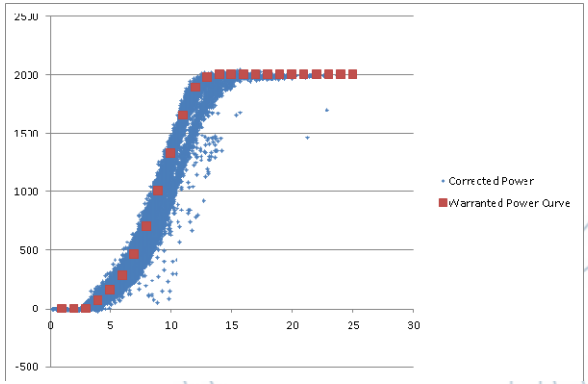
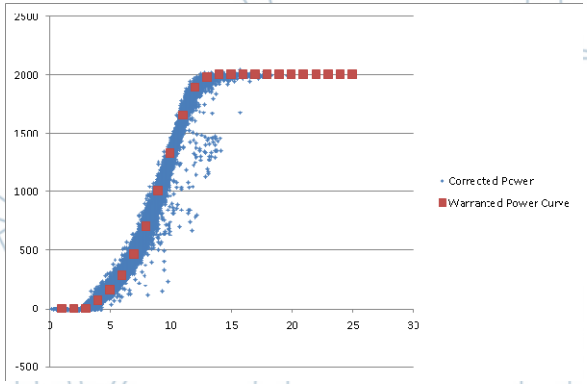
Management of operating projects

- Annual energy production budgets
  - Derived from Garrad Hassan reports
  - Monthly variation based on historic UK wind data
- Monitoring performance
  - Monitor production.
  - Wind resource – “windiness”
  - Availability – AEPs based on 95%.
  - Power curve
- Comparing actual outputs to budget
  - Weekly, monthly and annual reporting to Boards
  - Implementation of Windhelm system.
- Health and safety compliance
  - Constant updating for new legislation
  - Risks analysed and managed.
  - Control of access to all operational sites.





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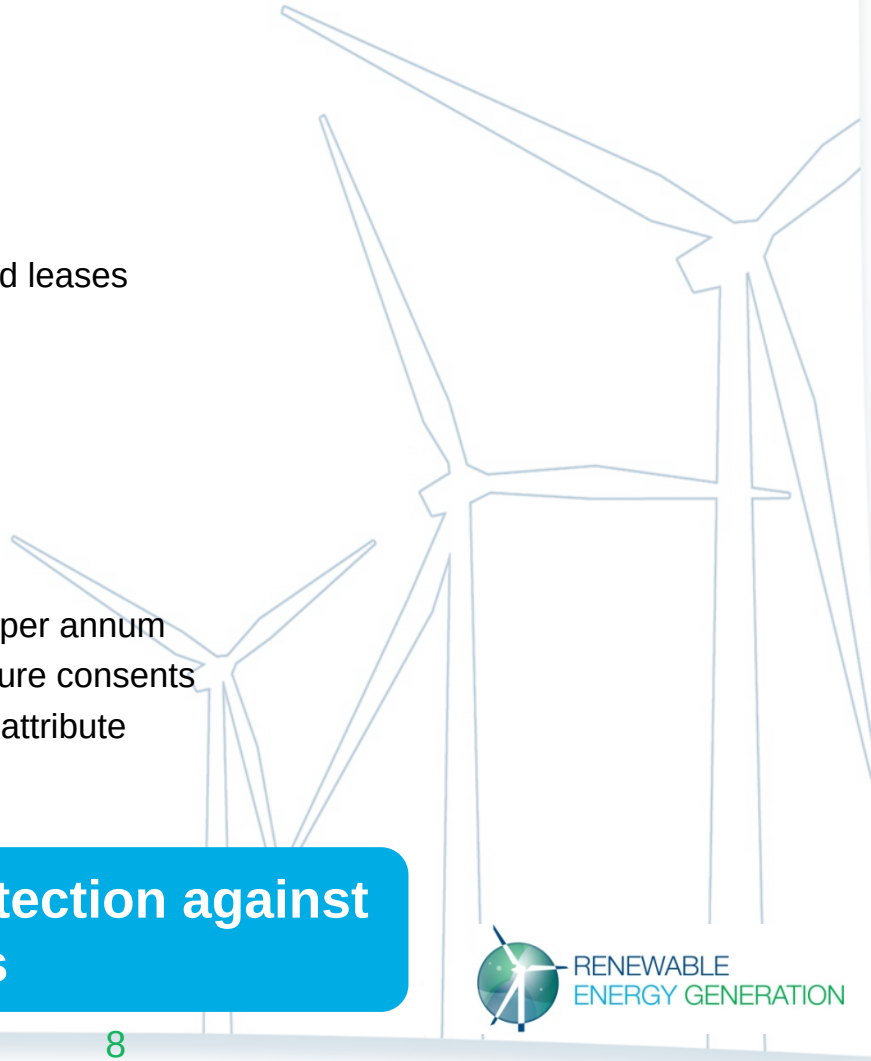
Operating project costs

- Operations and maintenance
  - Manufacturers' SAA agreements.
- Land rents
  - Generally rising
  - REG's historical portfolio comprises low-cost land leases
- Insurance costs stable
- Community Funds
  - Industry recommended minimum of £2,000/MW per annum
  - REG typically pays more – tactically used to secure consents
  - Ability to capitalise part of this cost upfront – big attribute



Rise in UK power prices affords protection against project cost increases

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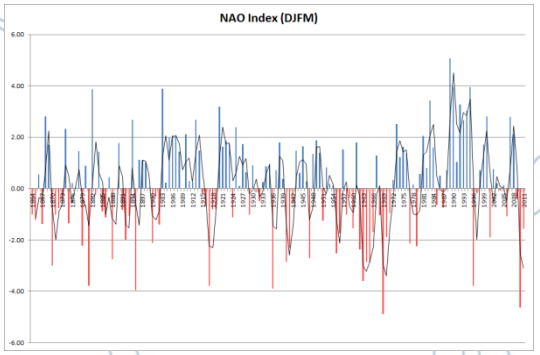
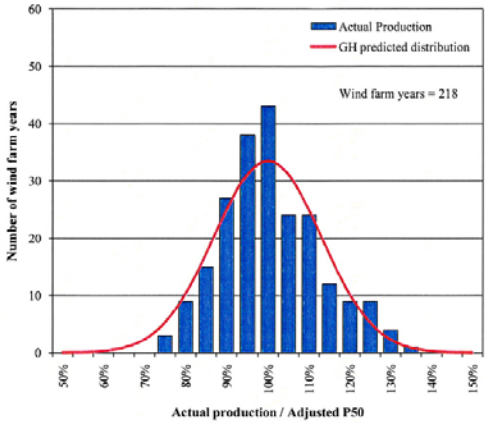
REG wind resource / AEP assessment

- Feasibility assessment stage uses NOABL/ Garrad Hassan Windmap
  - Reasonable initial estimate of output to assess feasibility
- Development phase
  - Uses 15 metre met masts supplemented by LiDAR
  - An approach that Garrad Hassan is comfortable with
- LiDAR
  - How does it work?
  - Interface with 15 metre data
- Recent low wind years
  - Why?
- Confidence in annual energy production assessment
  - All REG Wind Farms have full Garrad Hassan wind reports
  - REG data correlated with established met sites





REG long term outputs should be accurate but significant short term – year on year – volatility inevitable

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Summary

- REG construction and operational capability now established to deliver projects emerging from development pipeline – equipped to achieve Business Plan goals and beyond
- Easy integration of further operational MW into existing team
- Significant focus on potential bottlenecks such as grid and noise
- Budgetary and operational controls have been enhanced over last two years
- Outlook for key equipment markets appears stable at present
- REG operating at cutting edge of UK health and safety legislation
- Long term meteorological and output data for operational and consented sites well established
- Procurement for 2011/12 well advanced

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