

# BABCOCK & BROWN WIND PARTNERS

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## ASX Release

19 May 2006

### PRESENTATIONS

Please find attached the following Babcock & Brown Wind Partners presentations:

- La Plata Wind Farm Tour
- Ilex - Spanish Wind Market

ENDS

#### About Babcock & Brown Wind Partners

Babcock & Brown Wind partners (ASX: BBW) is a specialist investment fund focused on the wind generation sector. BBW listed on the Australian Stock Exchange on 28 October 2005 and has a market capitalisation of approximately A\$800 million.

It is a stapled entity comprising Babcock & Brown Wind Partners Limited (ABN 39 105 051 616), Babcock & Brown Wind Partners Trust (ARSN 116 244 118) and Babcock & Brown Wind Partners (Bermuda) Limited (ARBN 116 360 715).

BBW's portfolio comprises an interest in or agreement to buy 23 wind farms on three continents that have a total installed capacity of approximately 1,150 MW and are diversified by geography, currency, equipment supplier, customer and regulatory regime.

BBW is managed by Babcock & Brown Infrastructure Management Pty Limited, a wholly owned subsidiary of Babcock & Brown Limited (ASX: BNB), a global investment and advisory firm with longstanding capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown has a long history of experience in the renewable energy field and extensive experience in the wind sector, having arranged financing of over 3,000 MW of wind energy products and companies over the past 16 years, with an estimated value over US\$3 billion. Babcock & Brown's roles have included acting as an advisor/arranger of limited recourse project financing, arranging equity placements, lease advisor, project developer, principal equity investor and fund manager for wind energy projects situated in Europe, North America and Australia. Babcock & Brown has developed specialist local expertise and experience in the wind energy sector in each of these regions which it brings to its management and financial advisory roles of BBW.

BBW's investment strategy is to grow security holder wealth through management of the initial portfolio and the acquisition of additional wind energy generation assets.

For further information please visit our website: [www.bbwindpartners.com](http://www.bbwindpartners.com).

# La Plata Wind Farm Tour

## May 2006

# Agenda

- 1. La Plata in Context – BBW Portfolio**
2. La Plata in Context – The Olivo Portfolio
3. La Plata – Profile
4. Olivo & La Plata – Operating Performance
5. Future Opportunities

# La Plata in context – BBW Portfolio<sup>1</sup>

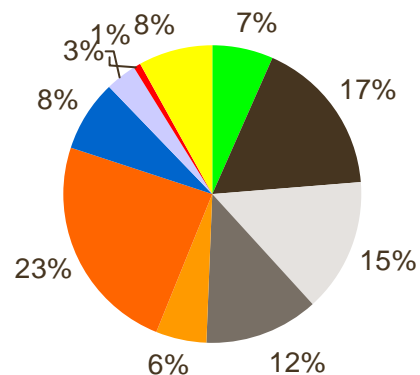
Wind Farm	Location	BBWP's Equity Interest (%) <sup>2</sup>	Status (Acquisition Date)	Installed Capacity (MW)	Number/Type of Turbines	Long term mean Energy Production (GWh pa)	Energy Sale
Alinta Wind Farm Lake Bonney 1 Lake Bonney 2	AUSTRALIA Western Australia South Australia South Australia	100% 100% 100%	Operational <sup>3</sup> (August 2004) <sup>5</sup> Operational (June 2003) <sup>5</sup> Pre-construction (Sept 2005) <sup>5</sup>	89.10 80.50 159.00	54 / NEG Micon 1.65 MW 46 / Vestas 1.75 MW 53 / Vestas 3 MW	366.5 211.2 478.0	PPA PPA PPA & Market
Olivo Portfolio ▪ Sierra del Trigo ▪ La Muela Norte ▪ El Redondal ▪ Serra de Loba ▪ La Plata ▪ El Sardon	SPAIN  Jaen Zaragoza Leon Galicia c.La Mancha Andalucia	100%	Operational (December 2004) Operational (December 2004) Operational (October 2005) Operational (March 2006) Operational (June 2005) Operational (May 2006)	15.18 29.75 30.60 36.00 21.25 25.50	23 / Gamesa 660kw 35 / Gamesa 850kw 36 / Gamesa 850k 18 / Gamesa 2MW 25 / Gamesa 850kw 30 / Gamesa 850kw	32.3 70.6 66.5 99.9 45.6 47.9	Market Option Market Option Market Option Market Option Market Option Market Option
Niederrhein ▪ Wachtendonk ▪ Bocholt Liedern Eifel	GERMANY  Northrine-Westphalia Northrine-Westphalia Rhineland-Palatinate	99%  100%	Operational (March 2005) <sup>5</sup> Operational (March 2005) <sup>5</sup> Operational (Sept 2005)	12.00 7.50 27.00	8 / Nordex 1.5MW 5 / Nordex 1.5MW 18 / Nordex 1.5MW	23.7 13.3 52.4	Fixed Tariff Fixed Tariff Fixed Tariff
Fruges	FRANCE Pas de Calais	100%	Pre-construction (March 2006) <sup>5</sup>	22.00	11 / Enercon 2MW	49.70	Fixed Tariff
US 03/04 ▪ Sweetwater 1 ▪ Sweetwater 2 ▪ Caprock ▪ Blue Canyon ▪ Combine hills US 05 ▪ Sweetwater 3 ▪ Kumeyaay ▪ Bear Creek ▪ Jersey Atlantic	USA  Texas Texas New Mexico Oklahoma Oregon  Texas California Pennsylvania New Jersey	50% 50% 80% 50% 50%	Operational (December 2004 & May 2006 <sup>4</sup> ) Operational (December 2004 & May 2006 <sup>4</sup> ) Operational (December 2004 & May 2006 <sup>4</sup> ) Operational (December 2004 & May 2006 <sup>4</sup> ) Operational (December 2004 & May 2006 <sup>4</sup> )	37.50 91.50 80.00 74.25 41.00	25 / GE 1.5MW 61 / GE 1.5MW 80 / Mitsubishi 1MW 45 / Vestas 1.65 MW 41 / Mitsubishi 1MW	141.7 361.8 316.6 264.1 119.6	PPA PPA PPA PPA PPA
US Acquisition	N/A	100%	Operational (June 2006 <sup>4</sup> )	54.45	33 / Vestas 1.65MW	171.9	Market
<b>TOTAL</b>				<b>1,150.58 MW</b>		<b>3,699.1GWh pa</b>	

1. Subject to finalisation of Placement outlined in ASX Announcement dated 11 May 2006.
2. Percentages for USA wind farms constitute percentage ownership of Class B interests of project entity only.
3. Operations (54 WTG's) have commenced, however Practical Completion has not occurred under the EPC.
4. Expected acquisition date.
5. Constructed, or to be constructed by BBW.

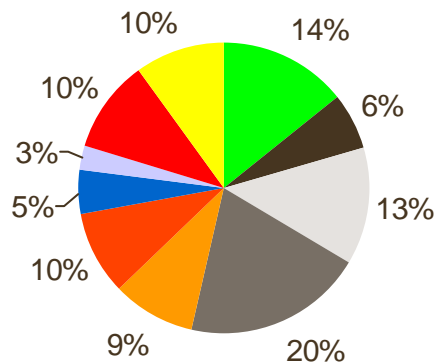
# La Plata in context – BBW Portfolio

## Forecast asset portfolio<sup>1</sup> (by expected production, in GWh<sup>2</sup>, within each region)

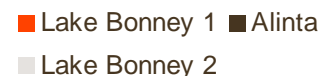
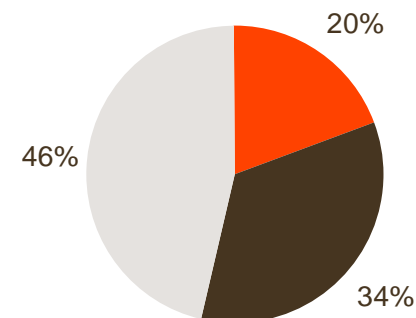
North American Portfolio<sup>3</sup>



European Portfolio



Australian Portfolio



- Diversified portfolio – 23 Wind farms in 5 countries and 3 continents.
- It is expected that post completion of the Acquisitions<sup>1</sup>, the FY07 EBITDA and cash distribution (for USA wind farms) contribution of each region will be relatively equal.

<sup>1</sup> Subject to finalisation of the Placement outlined in ASX Announcement dated 11 May 2006.

<sup>2</sup> Based on long term mean energy production estimates by expert advisers.

<sup>3</sup> Not taking into account proportionate equity interest of BBW.

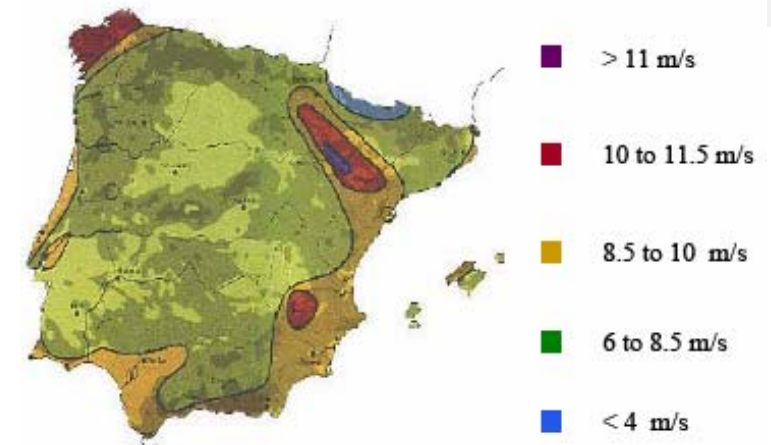
# Agenda

1. La Plata in Context – BBW Portfolio
- 2. La Plata in Context – The Olivo Portfolio**
3. La Plata – Profile
4. Olivo & La Plata – Operating Performance
5. Future Opportunities

# La Plata in context – Olivo Portfolio

## What is the Olivo portfolio ?

- 100% owned by BBW
- Geographically diverse portfolio of six wind farms in six different locations
- Acquired December 2004 for approx. €204m
- Total installed capacity of 158.28 MW
- Forecast total annual production of 362.8 GWh/year
- Capacity Factor 25.6%
- 167 Gamesa turbines
  - 23 x 660kW
  - 126 x 850kw
  - 18 x 2MW



source: BTM

## La Plata in context – Olivo Portfolio

Wind Farm	Location	% share	MW	Nº wtg	Wtg model	Capacity Factor	GWh p.a.	Start up date	Acquis. date
Sierra del Trigo	Jaen	100	15.18	23	G47/ 660kW	24.3%	32.3	Jan-02	Dec-04
Muela Norte	Zaragoza	100	29.75	35	G58/ 850kW	27.1%	70.6	Aug-03	Dec-04
Redondal	Leon	100	30.60	36	G58,G52/ 850kW	24.8%	66.5	Jan-05	Oct-05
Serra da Loba	Coruña	100	36.00	18	G83/ 2MW	31.7%	99.9	Oct-05	Mar-06
La Plata	Toledo	100	21.25	25	G58/ 850kW	24.5%	45.6	Jun-05	Jul-05
El Sardon	Huelva	100	25.50	30	G58/ 850kW	21.4%	47.9	Apr-06	May-06
<b>OLIVO PORTFOLIO</b>			<b>158.28</b>	<b>167</b>			<b>362.8</b>		

**Initial portfolio to grow through Framework Agreement with Gamesa.**



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# La Plata – Profile

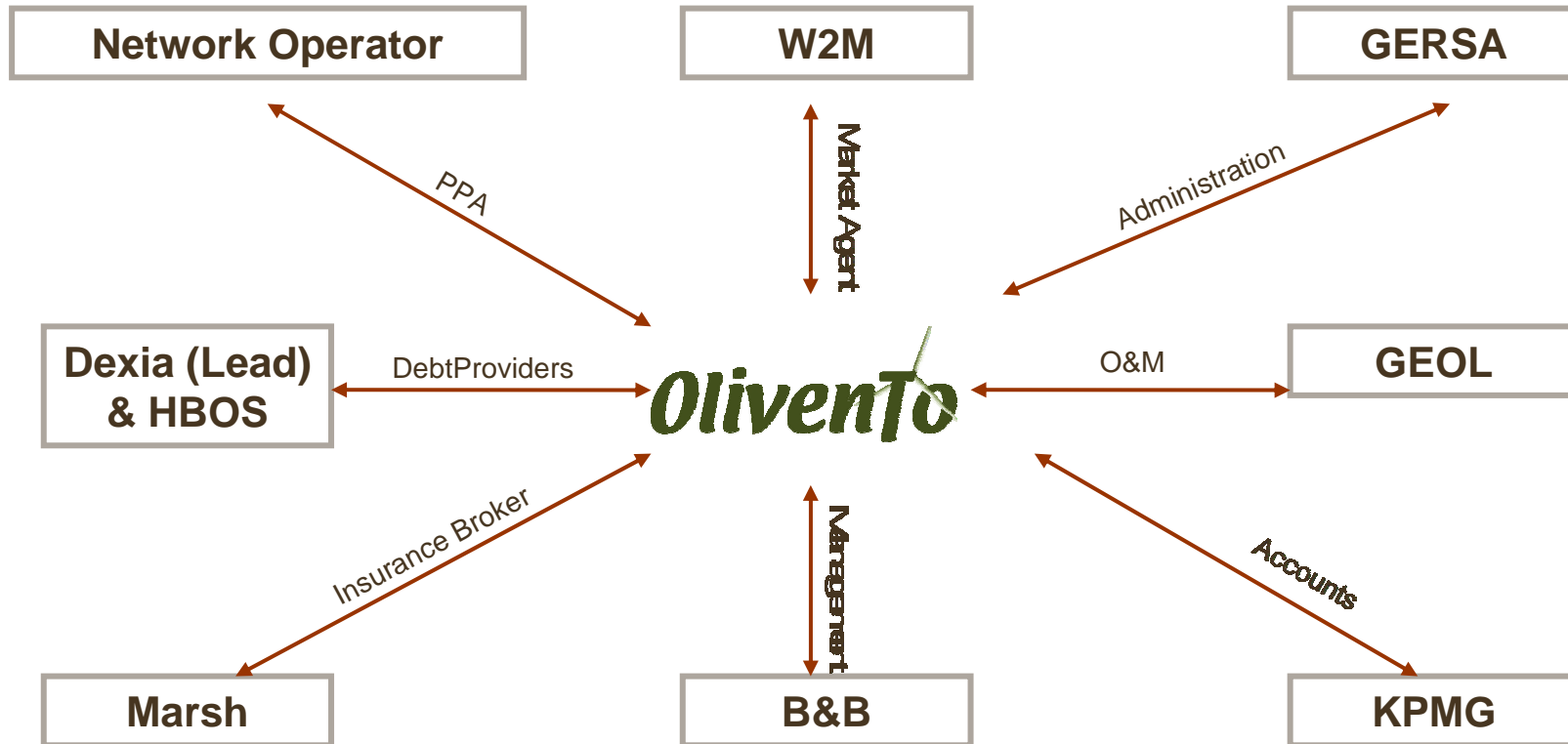
- **Start Up / Acquisition date:** June 2005
- **Location:** Municipality of Villarubia, Castille la Mancha
- **Capacity:** 21.25MW<sup>1</sup>
- **Forecast Mean Production:** 45.6 GWh/year
- **Turbines:** 25 Gamesa G58 with 55m hub height
- **Capacity Factor:** 24.5%
- **Average Wind speed:** 6.1 m/s
- **Warranted Availability:** 96.5%
- **Warranted Power Curve:** 95%
- **Network:** 132/20kV transformer to 132kv line of distribution network (Union Fenosa)<sup>1</sup>
- **Land:** Admin. Concessions, Surface Rights & Easements of Way
  - Wind Farm ... 31 plots of land / 15 Ag's;
  - High Voltage Line ... over 500.

<sup>1</sup> Export of production currently limited to 10MW due to line constraint, with compensation by Gamesa for lost production. Line upgrade works expected to be complete mid 2006.



# La Plata – 'Matrix'

## Overview of Key Agreements for La Plata



# La Plata – Management

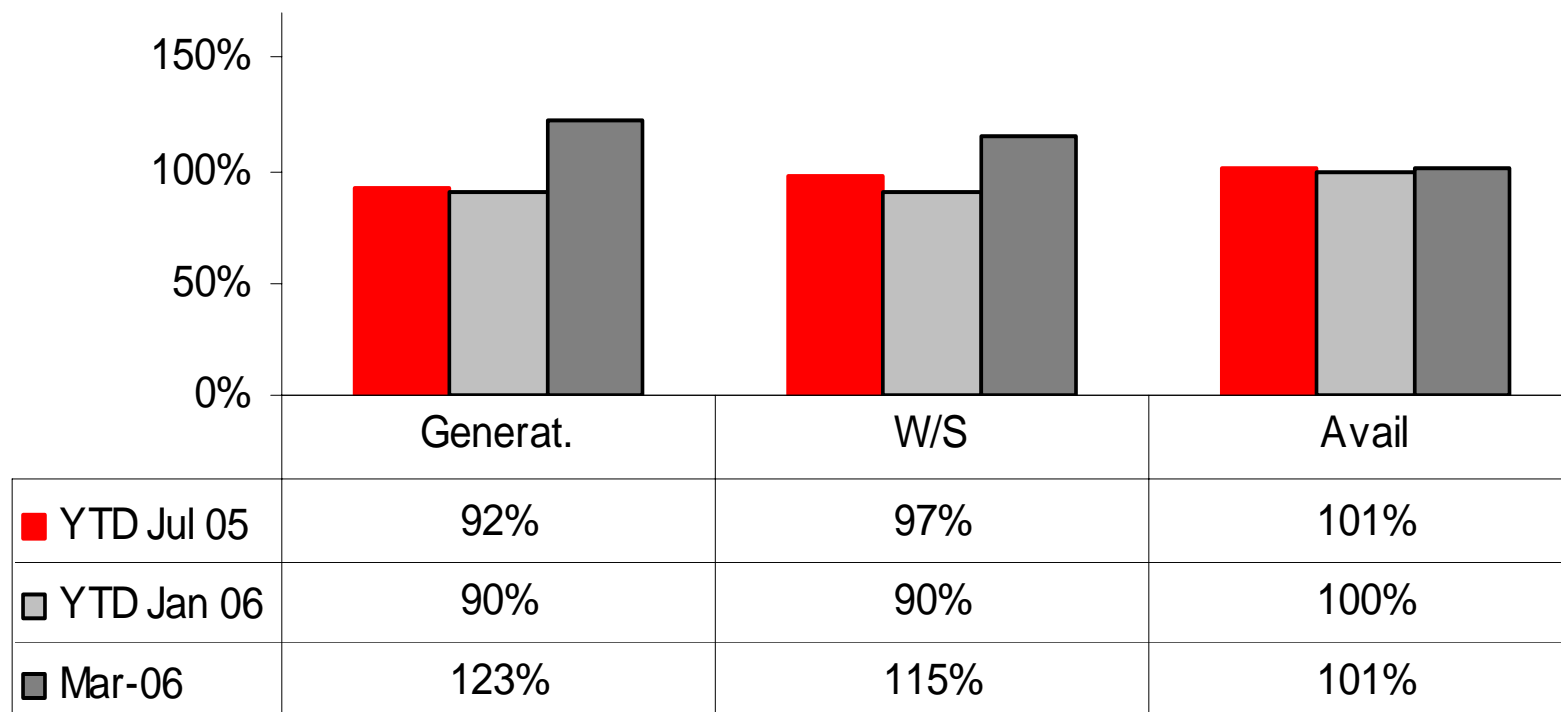
- **People**
  - Asset Management ... local team led by Maria Garcia
  - Acquisitions ... led by Toto Lo Bianco & Guy Thackwray
- **Technical management**
  - O&M supervision.
  - Retrofitting design.
  - Energy Market analysis and bidding strategy.
  - Performance test (Power curve).
- **Financial control and management**
  - Accounts, statutory reporting and audits.
  - Cash and Tax management.
  - Lenders reporting.
- **Commercial contract management**
  - Contract management and review for improvements.
  - Insurance review.
  - Energy sales and invoicing.
  - Reporting to Authorities and relationships with land owners.
- Wind association/lobby discussions (legislation, tariffs, etc)
- Legal management (merging process, corporate, permits, H&S and environmental).



# Agenda

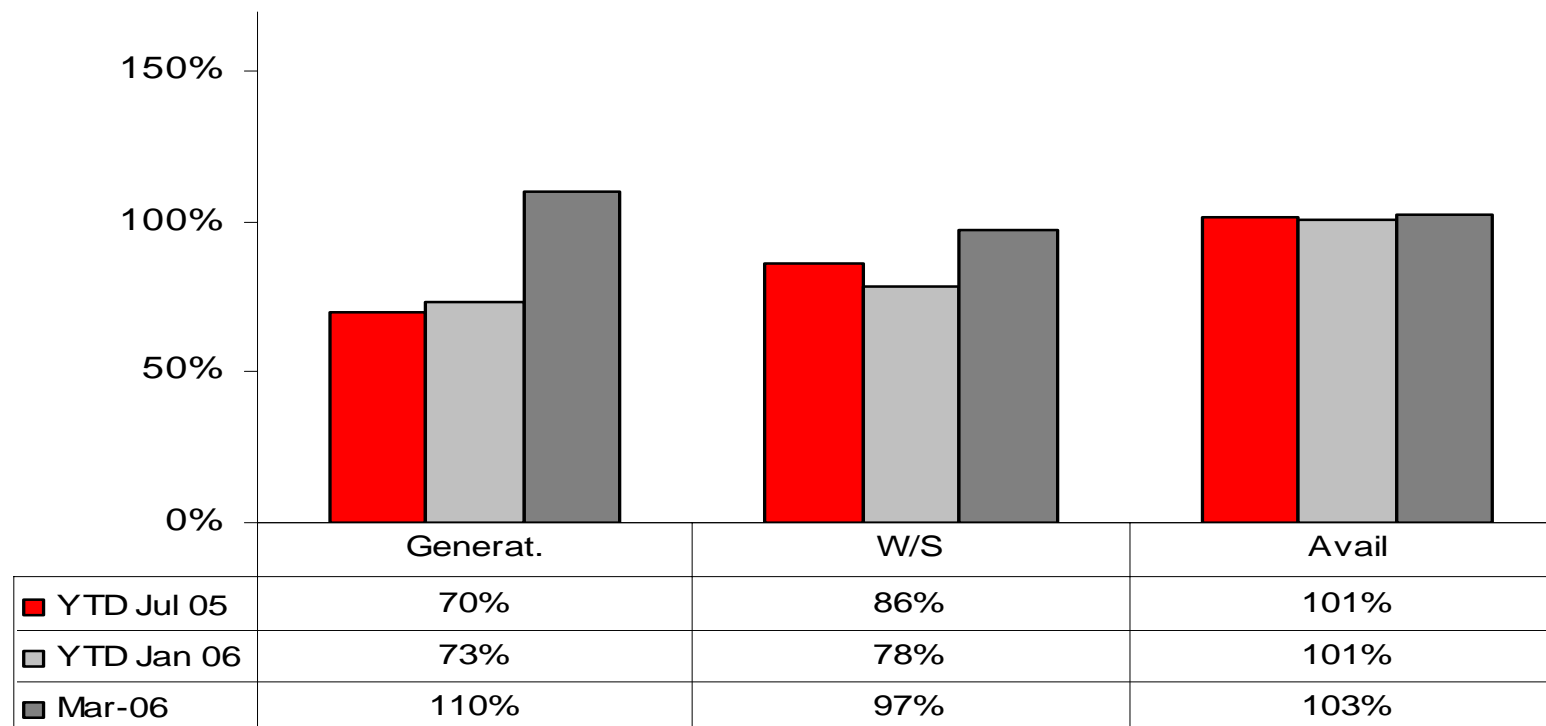
1. La Plata in Context – BBW Portfolio
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## Olivo – Operating Performance



- Accumulated Production below expected because of wind speed below long term projections.
- Wind farm Availability as expected.
- Tariff, revenues and EBITDA for the Olivo portfolio better than expected.

## La Plata – Operating Performance



- Accumulated Production below expected because of wind speed below long term projections.
- Wind farm Availability as expected.
- Tariff for La Plata better than expected, however revenues and EBITDA are lower.

**Demonstrates the benefit of Portfolio**

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# La Plata – Future Opportunities

- **Expansion**
  - Evaluating small expansion opportunity with Gamesa
- **Revenue**
  - Improve Availability ... closer operational control/response
  - Tariff ... reduce imbalance cost – larger portfolio, increase intraday trading & better forecasting
  - Reactive energy bonus
- **Costs**
  - Market Agent costs
  - O&M ... scale and conditioning monitoring for long-term
  - Insurance portfolio savings
  - Refinancing ... increased competition in regard to gearing, tenor, margins and fees



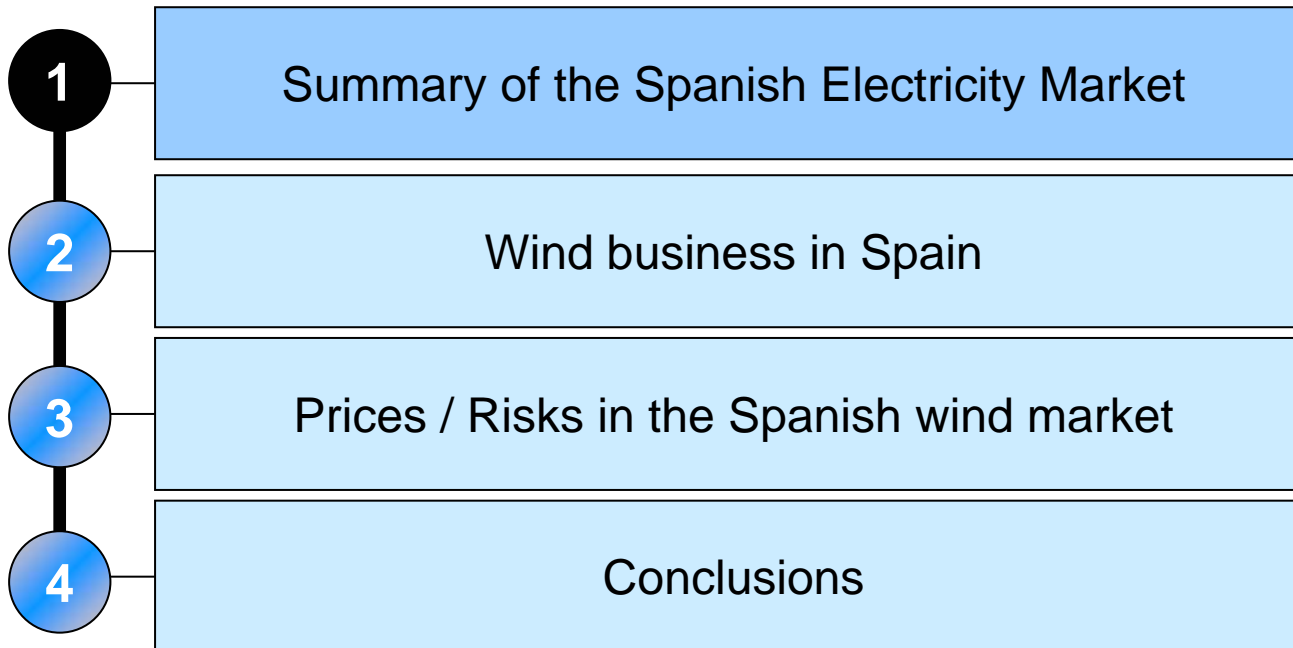


## *Spanish Wind Market*

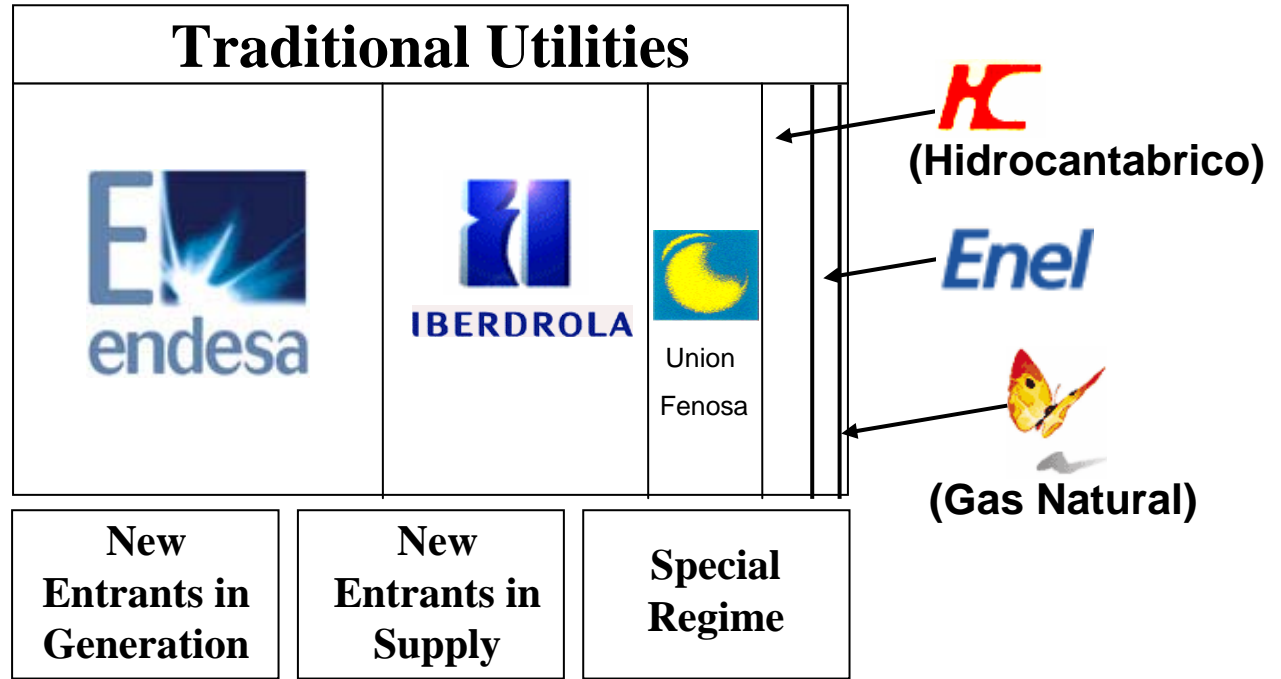
*May 2006*



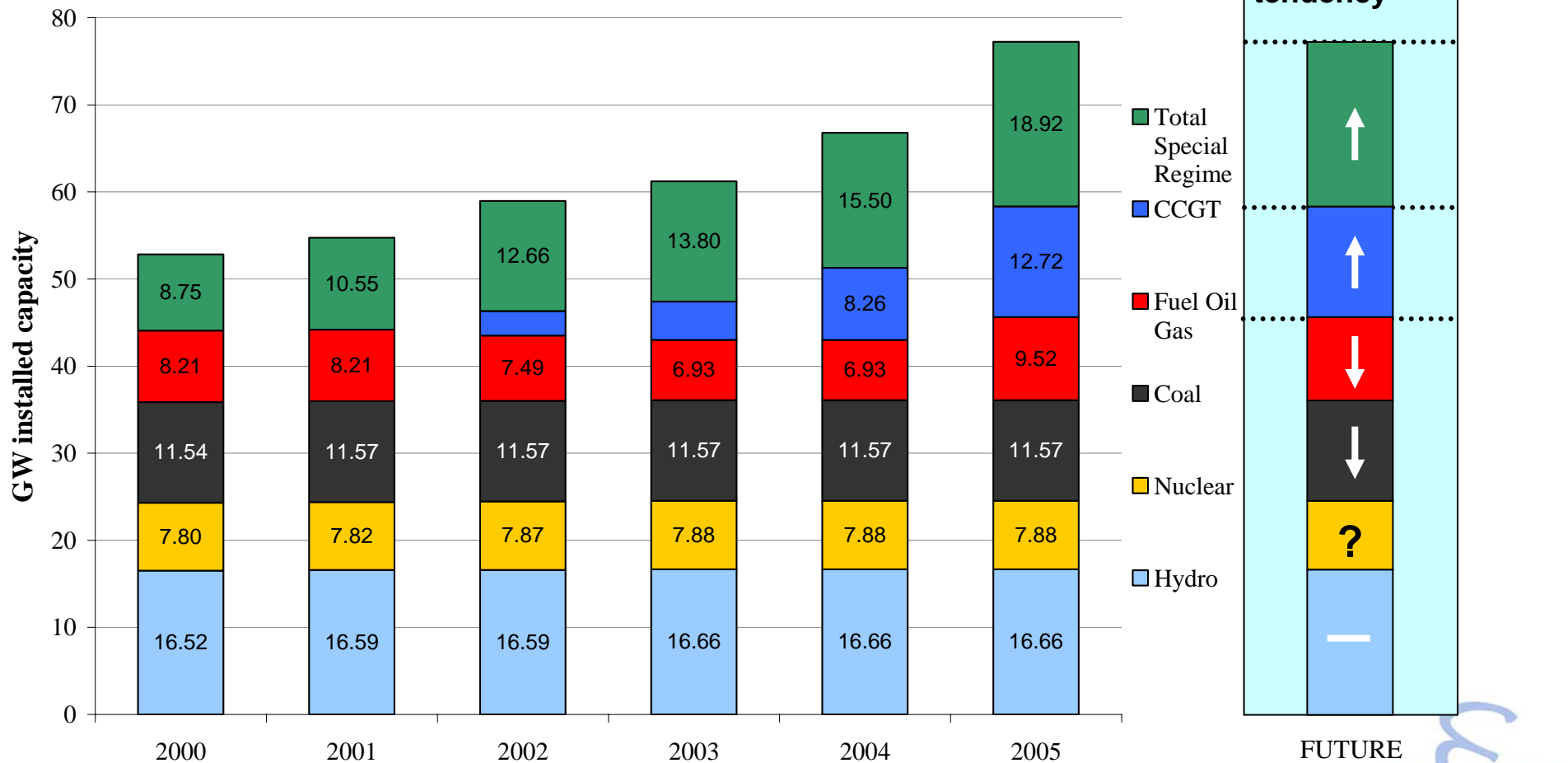
**ELECTROWATT-EKONO**  
Jaakko Pöyry Group



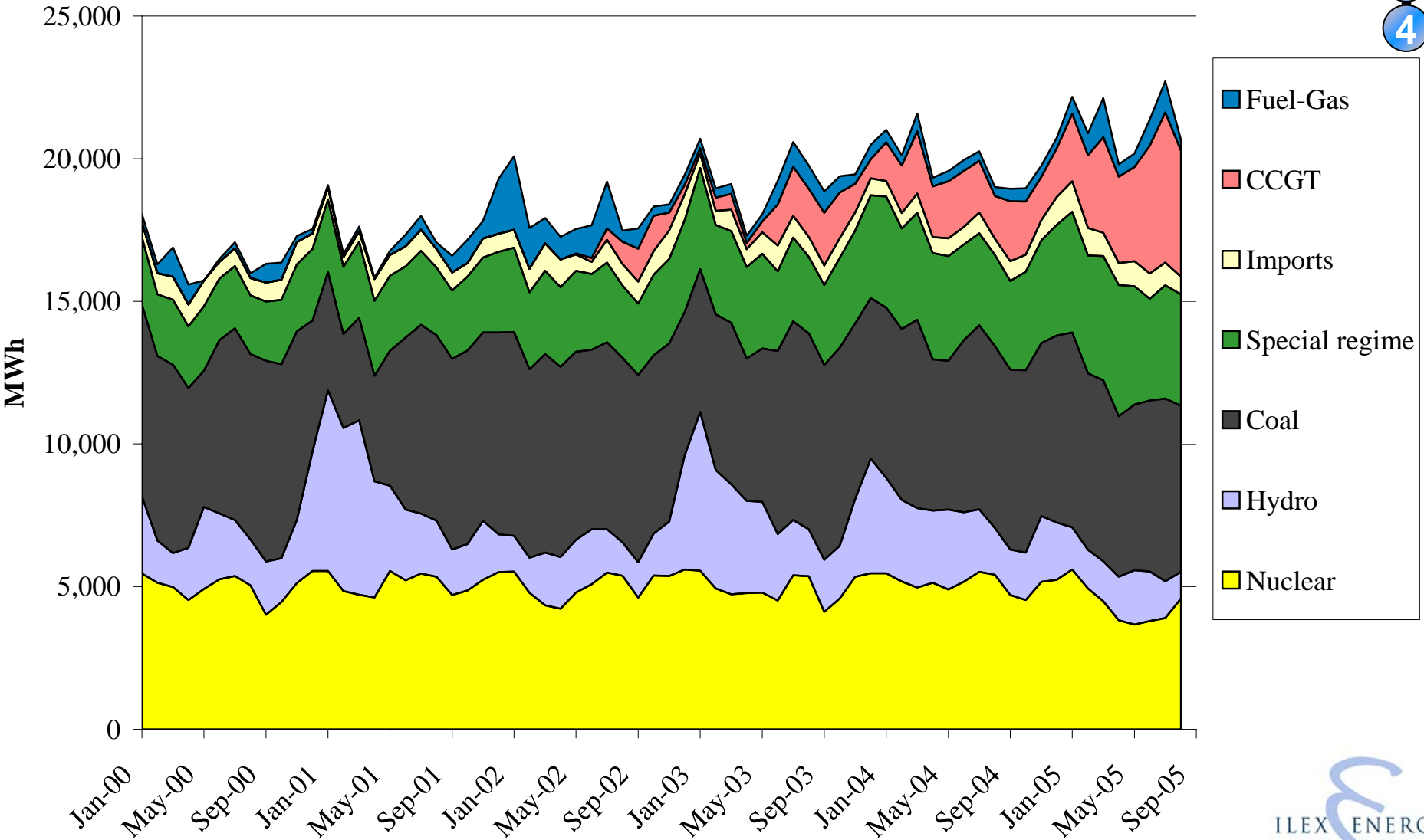
# Overview of the market



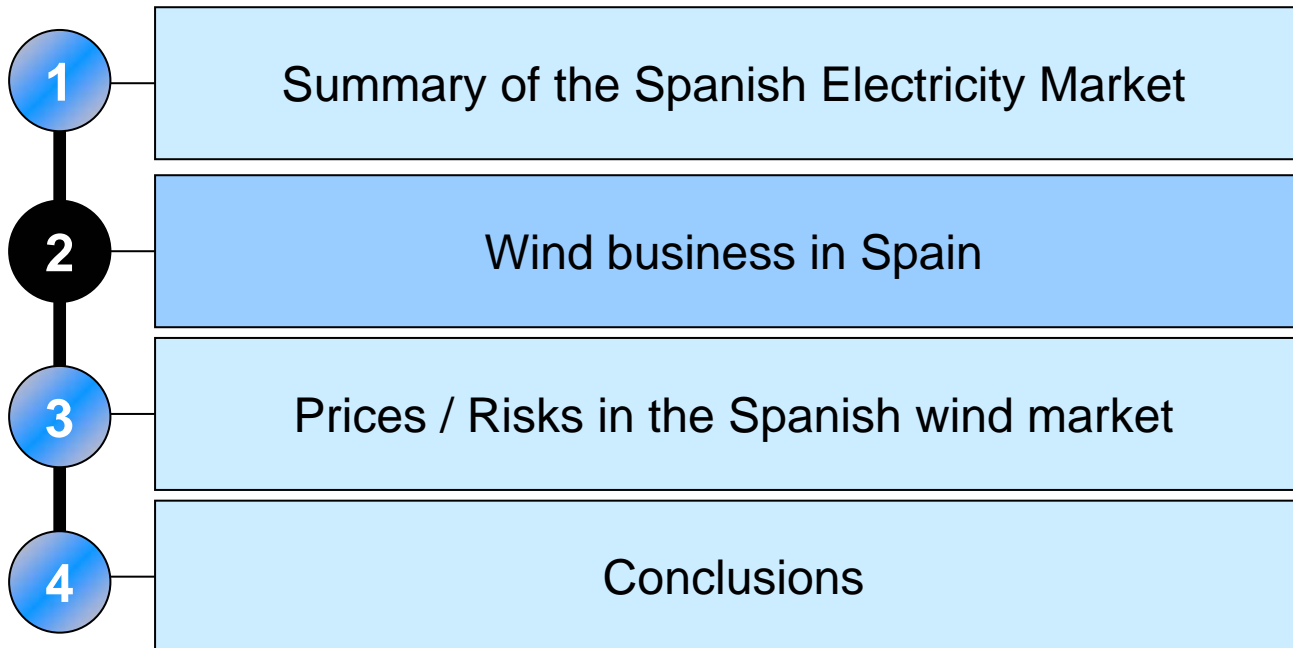
# Installed capacity



# Generation by fuel type

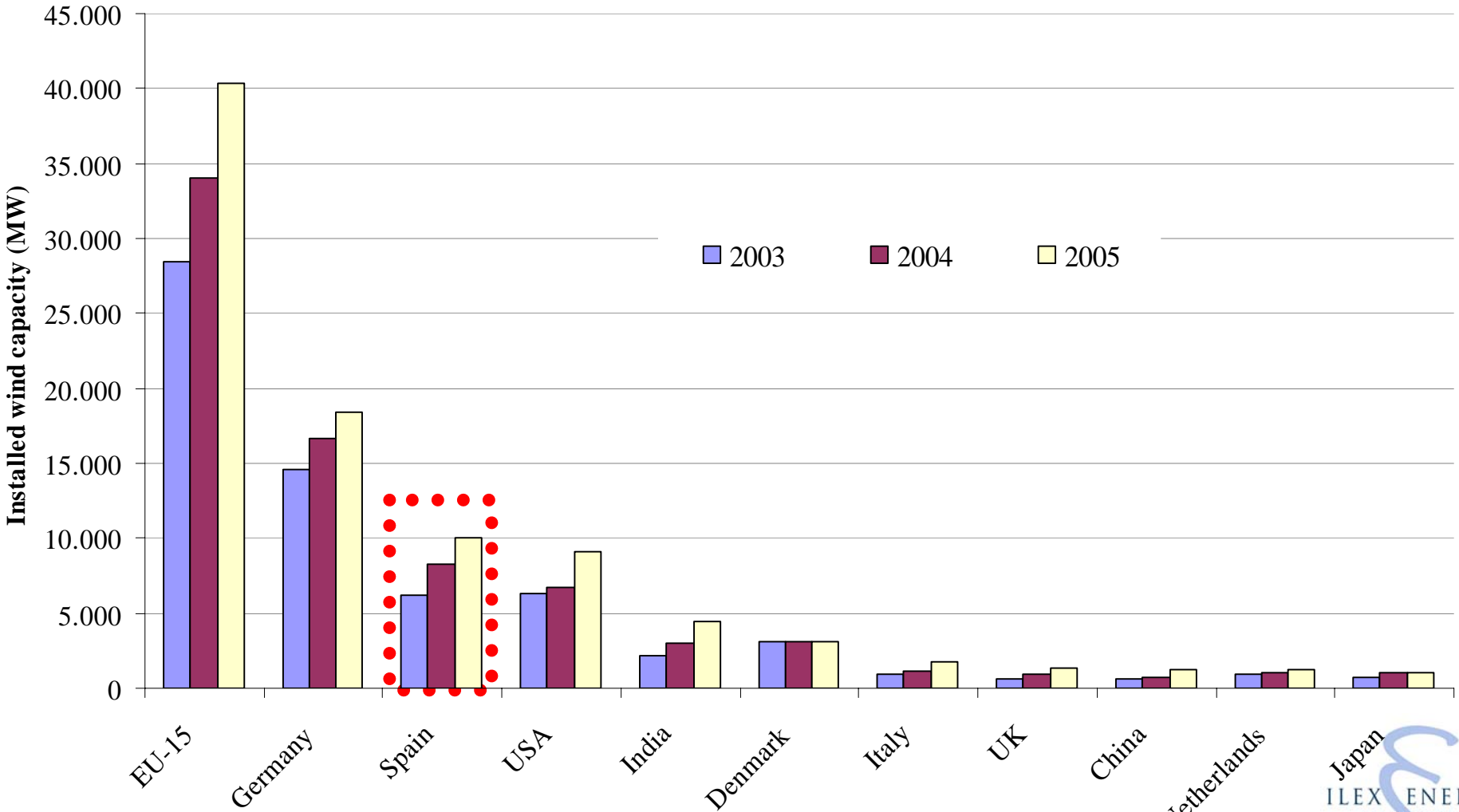


Source: OMEL 2005



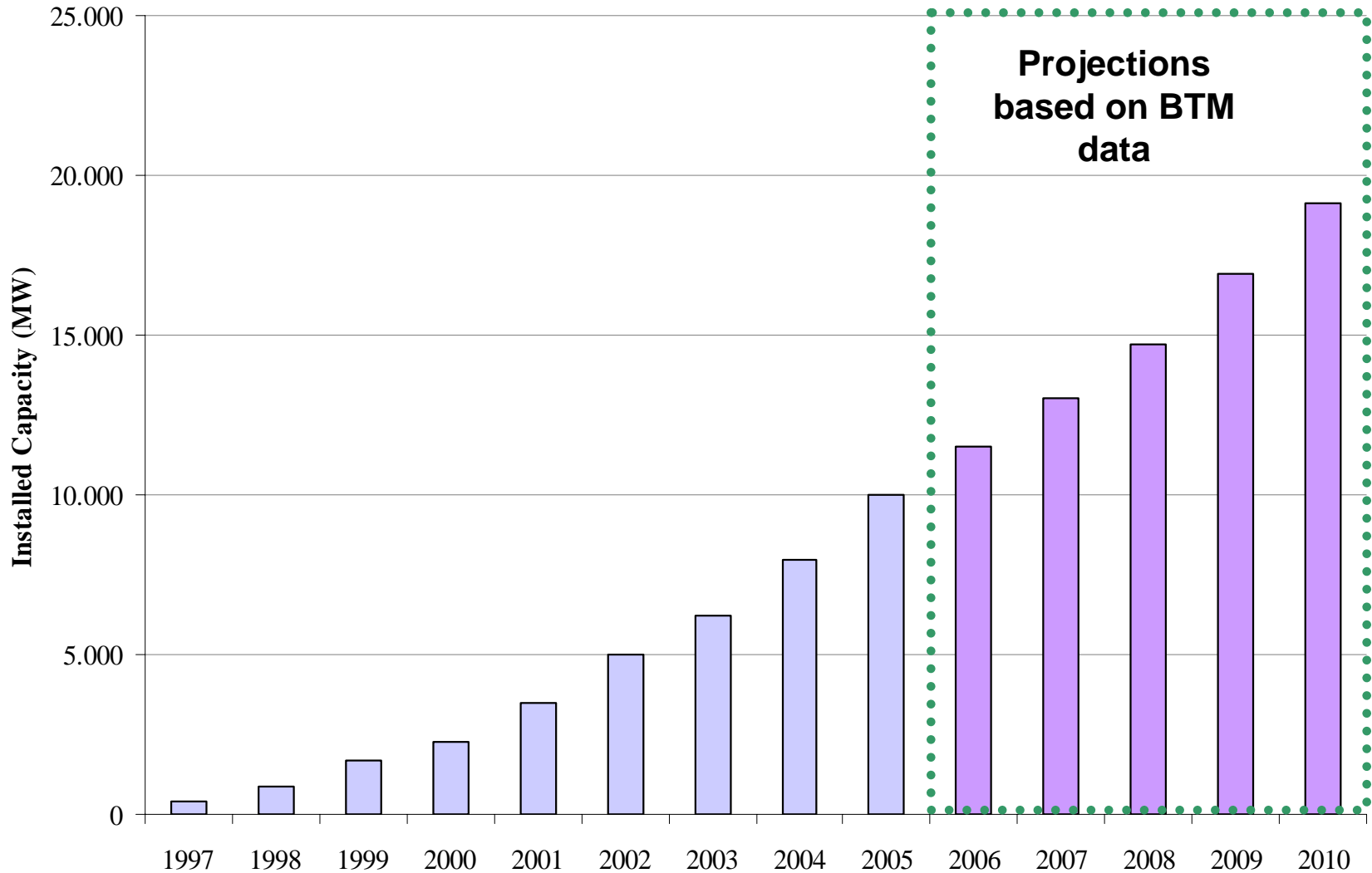
# Wind installed capacity (worldwide)

- 1
- 2
- 3
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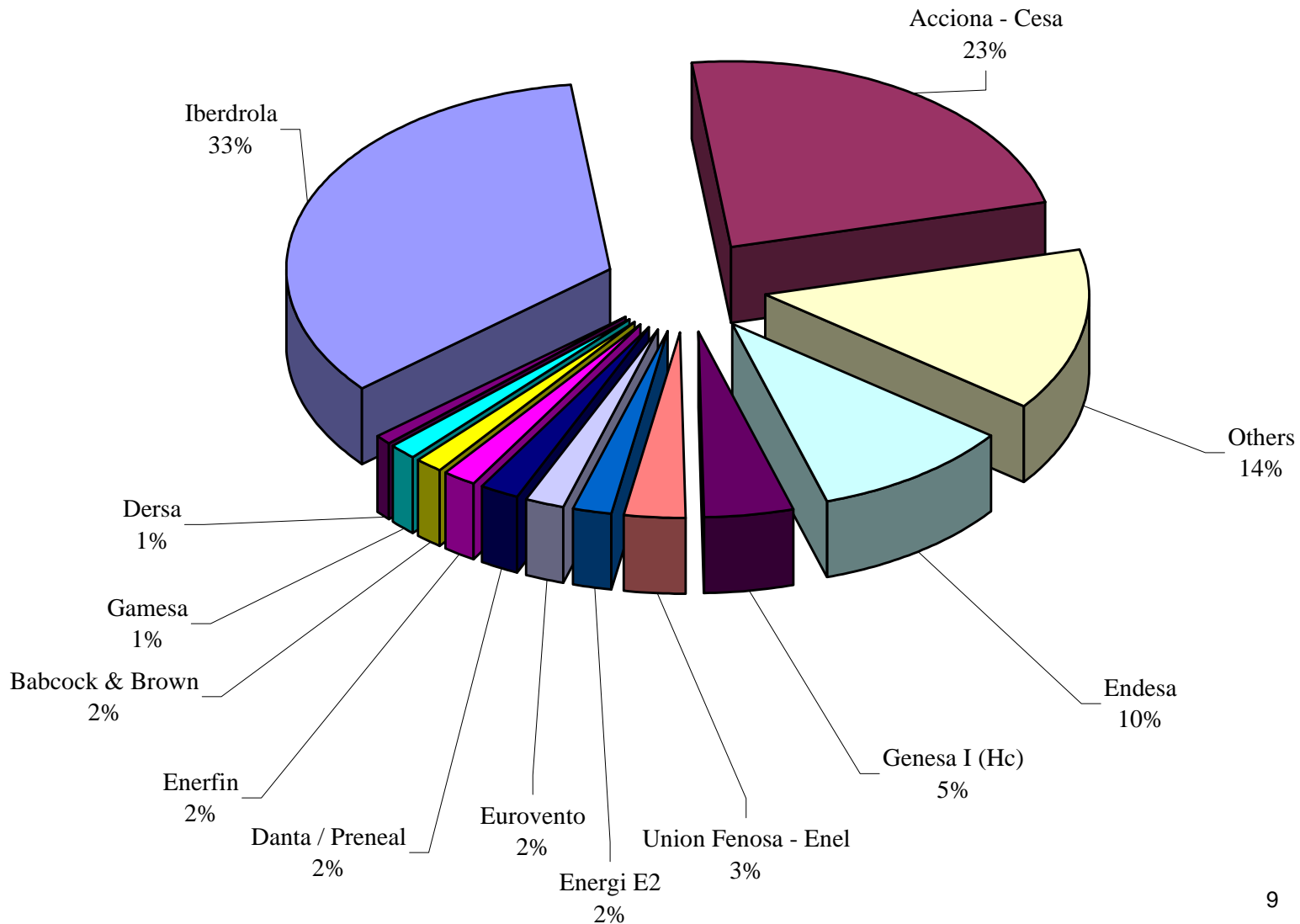




## Historical and projected wind development in Spain



## Market share in the Spanish wind business



## Renewable energy targets 2010 (Strong political support)



Source	2005 (1)		2010		
	MW	GWh	MW	GWh	
<b>Hydro</b>					
Hydro > 50 MW	13,521	25,014	13,521	25,014	
<b>Special Regime</b>					
Hydro 10 - 50 MW	2,897	5,794	3,257	6,480	
Hydro < 10 MW	1,749	5,421	2,199	6,692	
<i>Biomass</i>	344	2,193	2,039	14,016	
<i>Energy from waste</i>	189	1,223	189	1,223	
<i>Wind</i>	<b>9,653</b>	19,937	<b>20,155</b>	45,511	(+12.000 MW)
<i>Solar PV</i>	37	56	400	609	
Biogas	141	825	235	1,417	
<i>Solar (Thermal)</i>	0	0	500	1,298	
<b>Total generation</b>	<b>28,531</b>	<b>60,463</b>	<b>42,495</b>	<b>102,260</b>	

(1) Using an average hydro year

## Key to the success of wind in Spain?



### 1).- Strong political support

- Emissions Trading (EU & Spain)
- Diversity of supply (different technologies)
- Reducing dependency on fossil fuels / gas

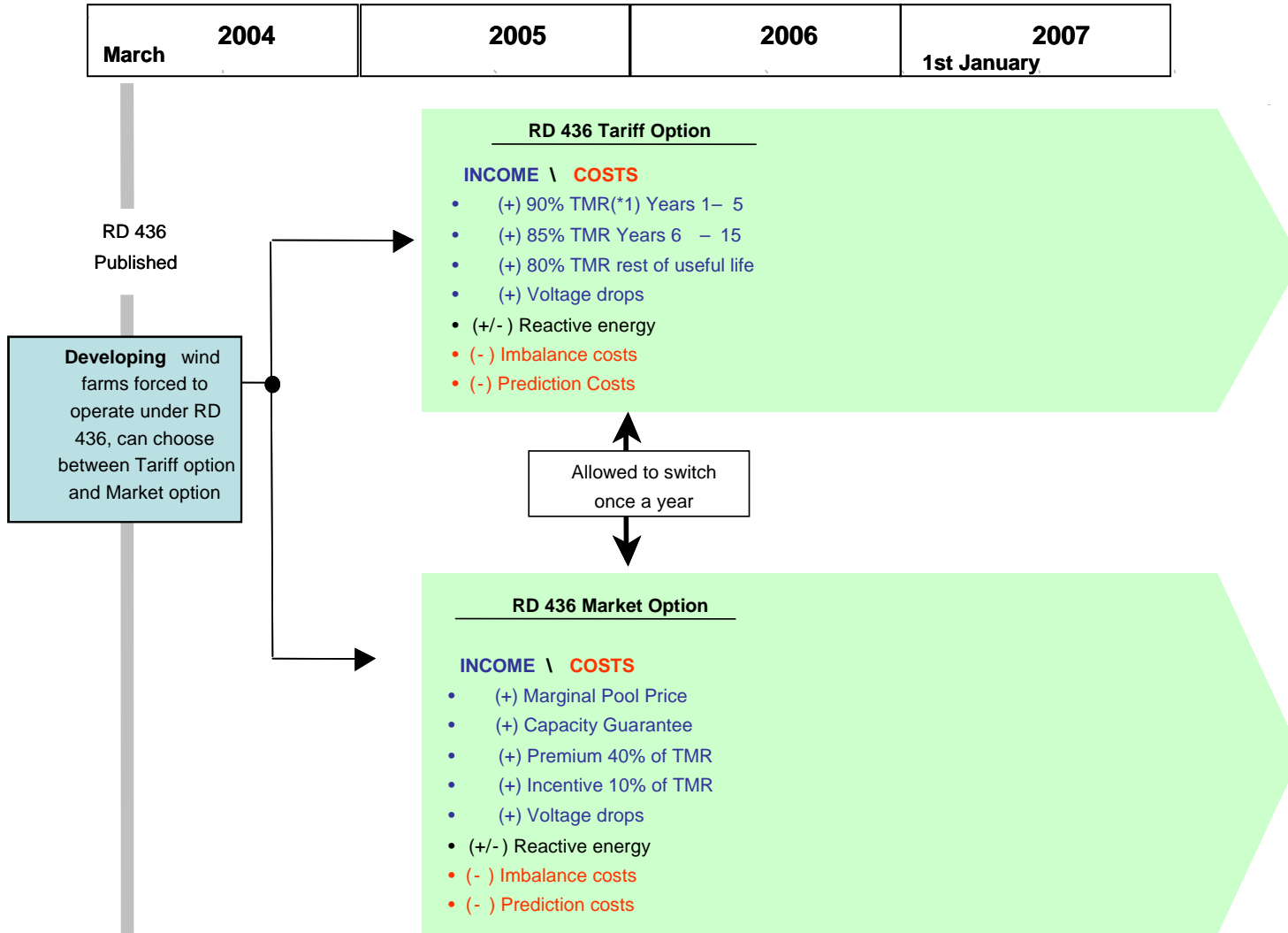
### 2).- Regulatory Framework / Strong political support

- RD 2366/1994
- Electricity Law 54/97
- RD 2818/1998
- RD 436
- Renewable Energy Plan 2005-2010

### 3).- Uninhabited areas with good wind resource

### 4).- Job Creation / Industry

# Regulatory Framework (RD 436)



(\*1) TMR = Average Reference Tariff (see slide 23)

## RD 436 – Fixed Tariff vs Market option



2005 All figures in €/MWh		RD2818/1998 variable price	RD436/2004			
			Fixed Tariff Option			Market Option
			90%TMR	85%TMR	80%TMR	
<i>TMR</i>	73,30					
Pool price (*1)		47,70				53,70
Premium (*2)		23,574				29,32
Incentive						7,33
Capacity payment						4,80
subtotal (€/MWh)		71,28	65,97	62,31	58,64	95,15
Reactive power payment(*3)		2,85	2,93	2,93	2,93	2,93
Imbalance costs (*5)		1,47	-1,47	-1,47	-1,47	-5,06
Cost of Prediction service(*7)		-0,2	-0,2	-0,2	-0,2	-0,2
Market participation Agent fee (*8)						-0,8
<b>Total (€/MWh)</b>		<b>75,39</b>	<b>67,24</b>	<b>63,57</b>	<b>59,91</b>	<b>92,03</b>

(\*6)

(\*1) Pool Price under 2818 is Final Pool Price, whereas pool price for 436 Market Option is the SMP (please note SMP for 2005 was >50 Euros / MWh)

(\*2) Premiums published in RD 1556/2005, TMR = 76,588 Euros/MWh (Further increase expected in July 2006)

(\*3) 2818 max of +4% of the sum of the Pool Price + Premium, For RD 436 depends on turbine technology (about 5% TMR)

(\*4) Applicable for the first 4 years it is 5% of the TMR

(\*5) 2.500 hours with 30% imbalance. Source PEE

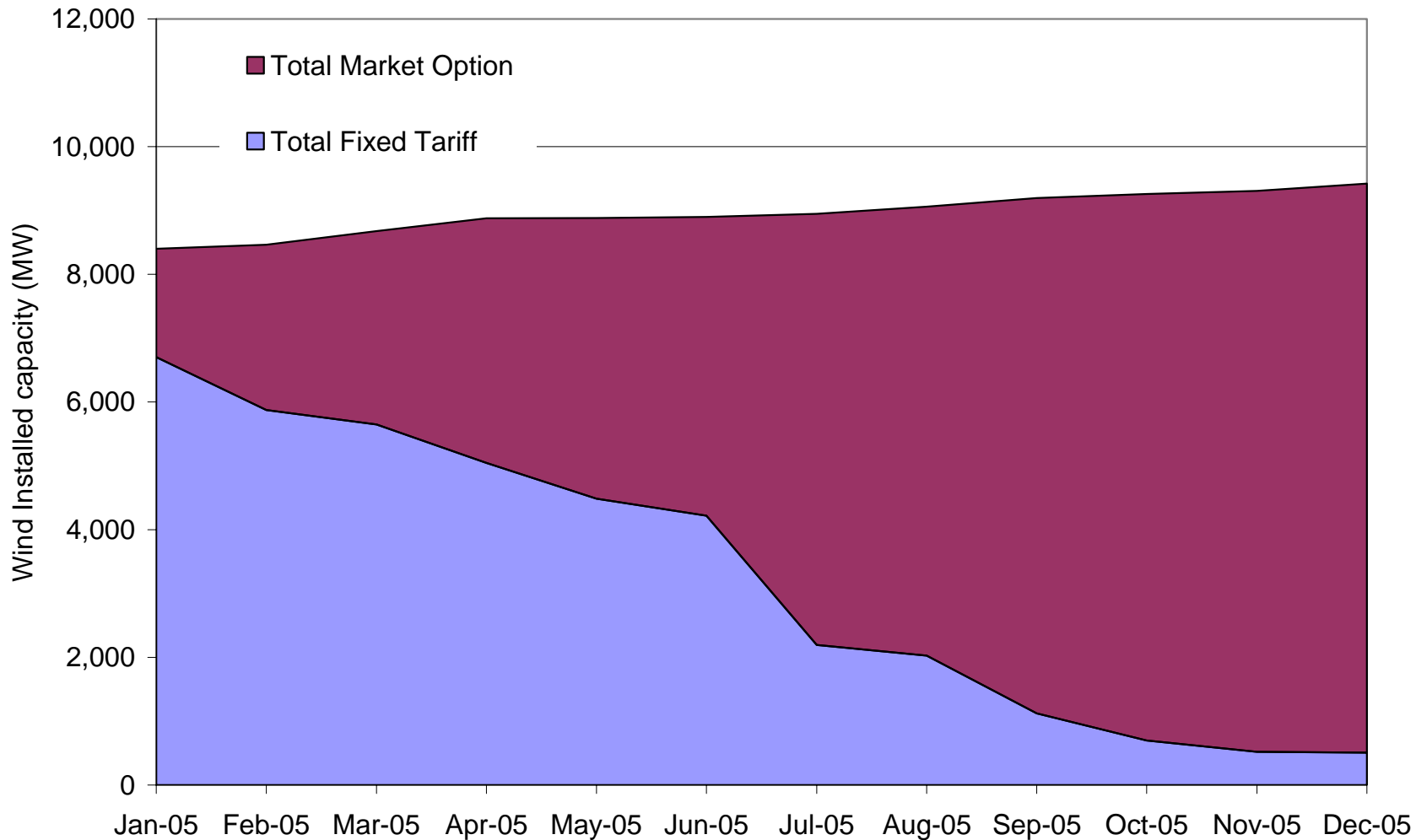
(\*6) Imbalance cost to RD436 Market Option increased almost threefold with publication of Resolution 24/06/2005.

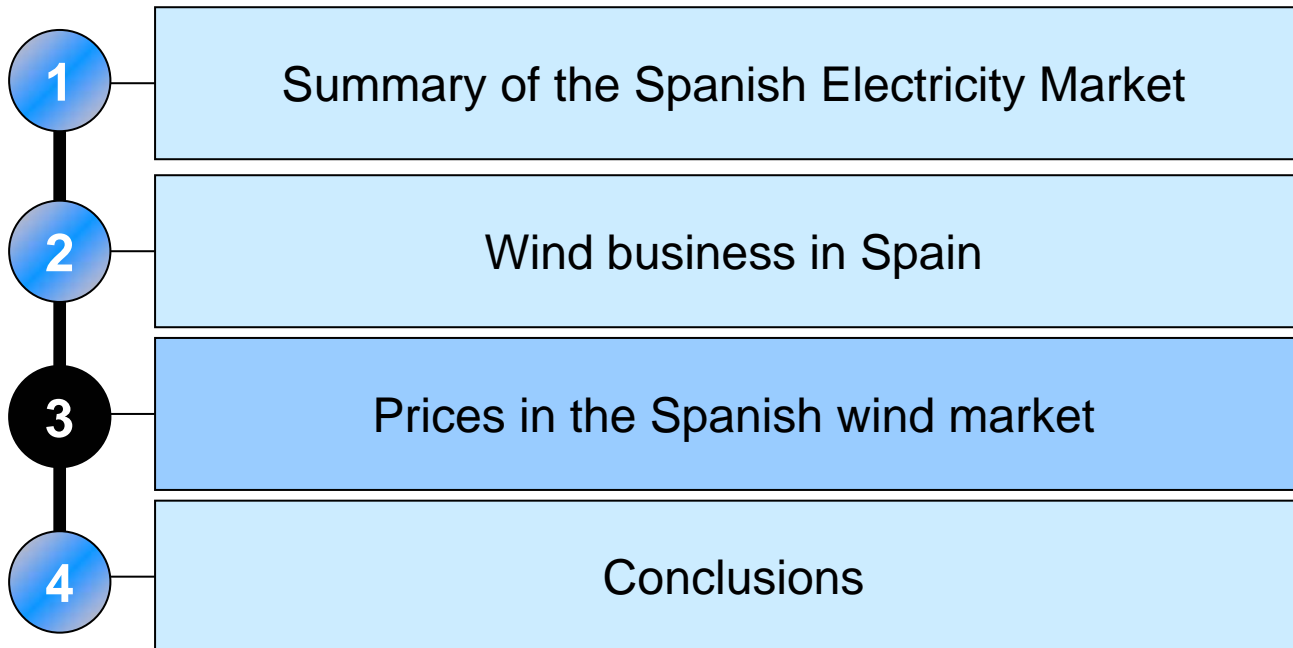
(\*7) APPA estimate

(\*8) Via market agent (APPA estimate)

# Market option vs Fixed Tariff

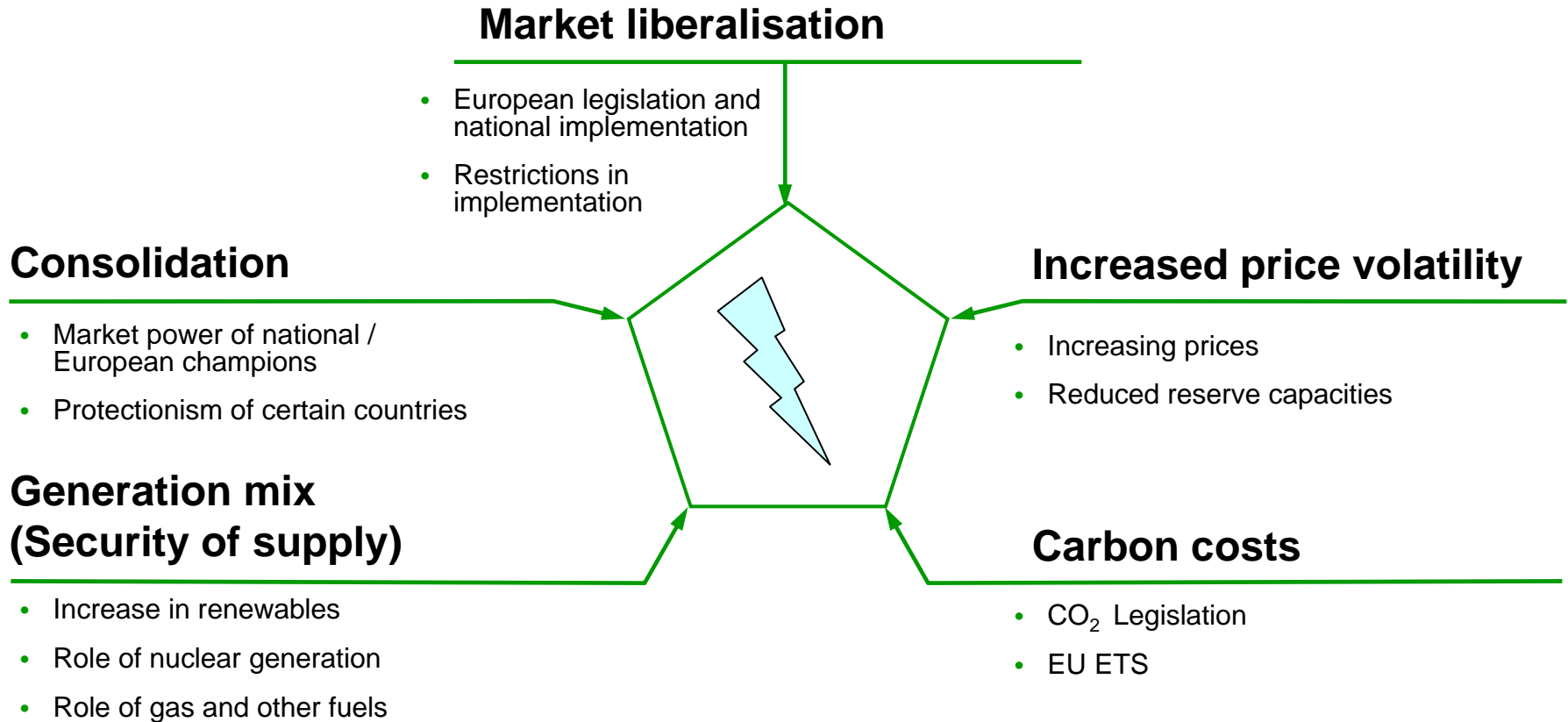
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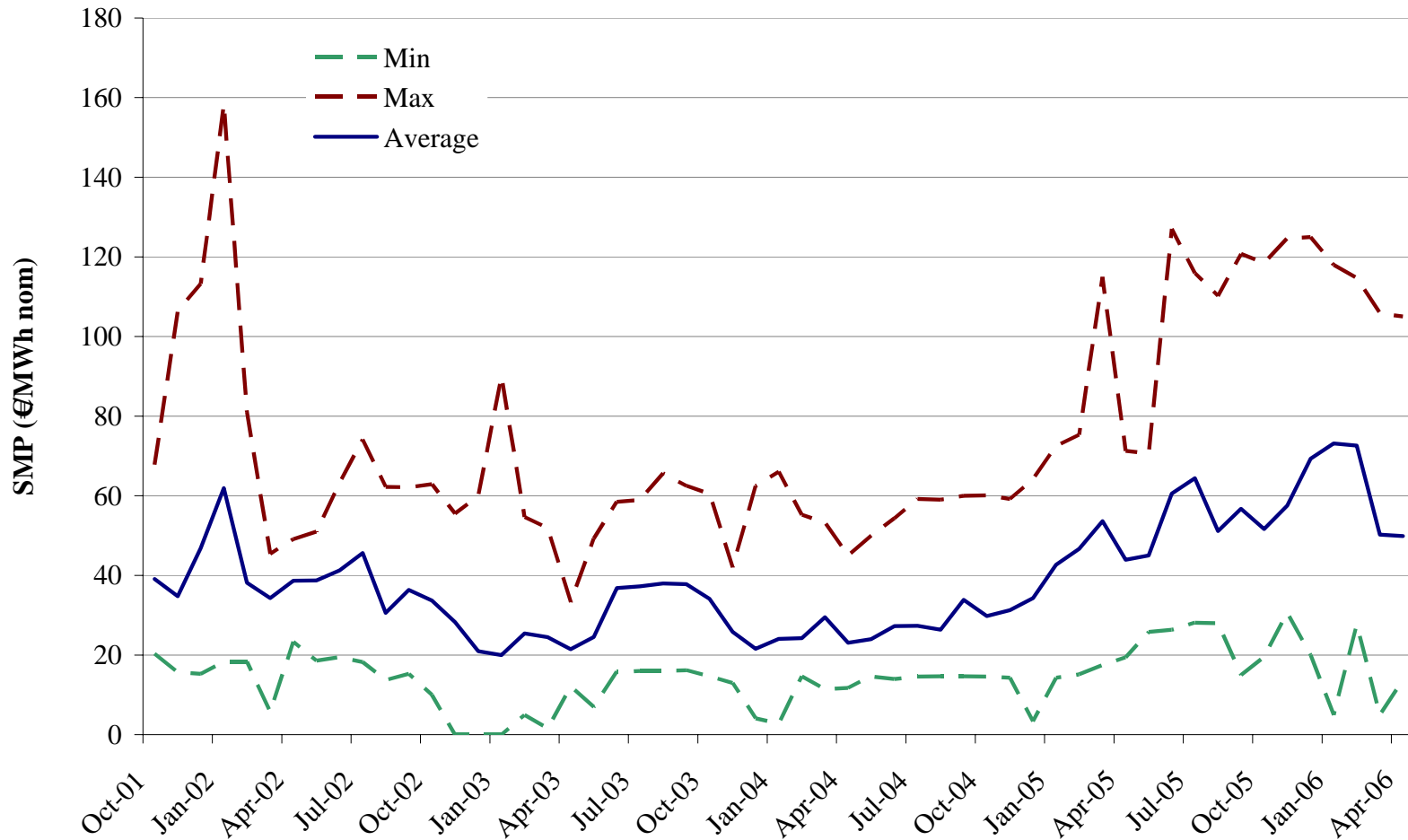




# External drivers impacting on the electricity market



# The Spanish Pool Price



## The new Pool rules

Royal-Decree Law 3/2006 (24 Feb 2006) has fundamentally changed the electricity market in Spain.



### 'Old' system

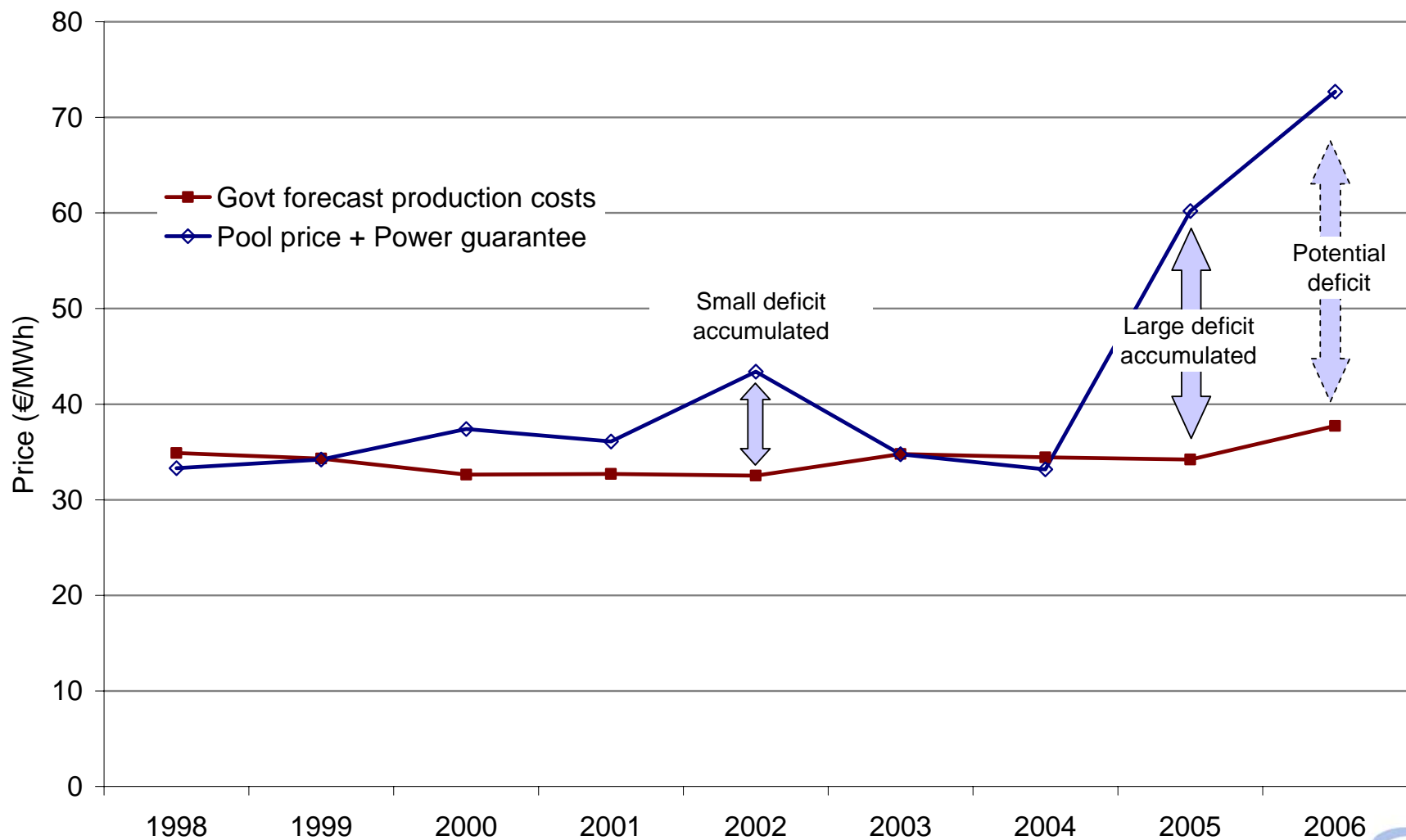
- All bids into pool
  - Price set by intersection of supply and demand
  - (with some complications to ensure lowest cost)
  
- Single market clearing price for a single hour
  - “All electrons are the same, so everyone gets same price. Prices vary hourly”

### RD 3/2006

- All bids into the pool
  - Price formation as before
  
- **TWO** market clearing prices
  1. For all energy bought and sold by same company
    - ~~€42.35~~
  2. For all energy not 'matched' above and below the pool
    - Market clearing price

In effect, the government has intervened to cap the electricity prices in Spain for vertically integrated players in an effort to avoid the build up of future tariff deficits (explained on the the next slide). This intervention should **not** impact the remuneration for wind farms owned by independent players (Acciona, B&B, E2 and others).

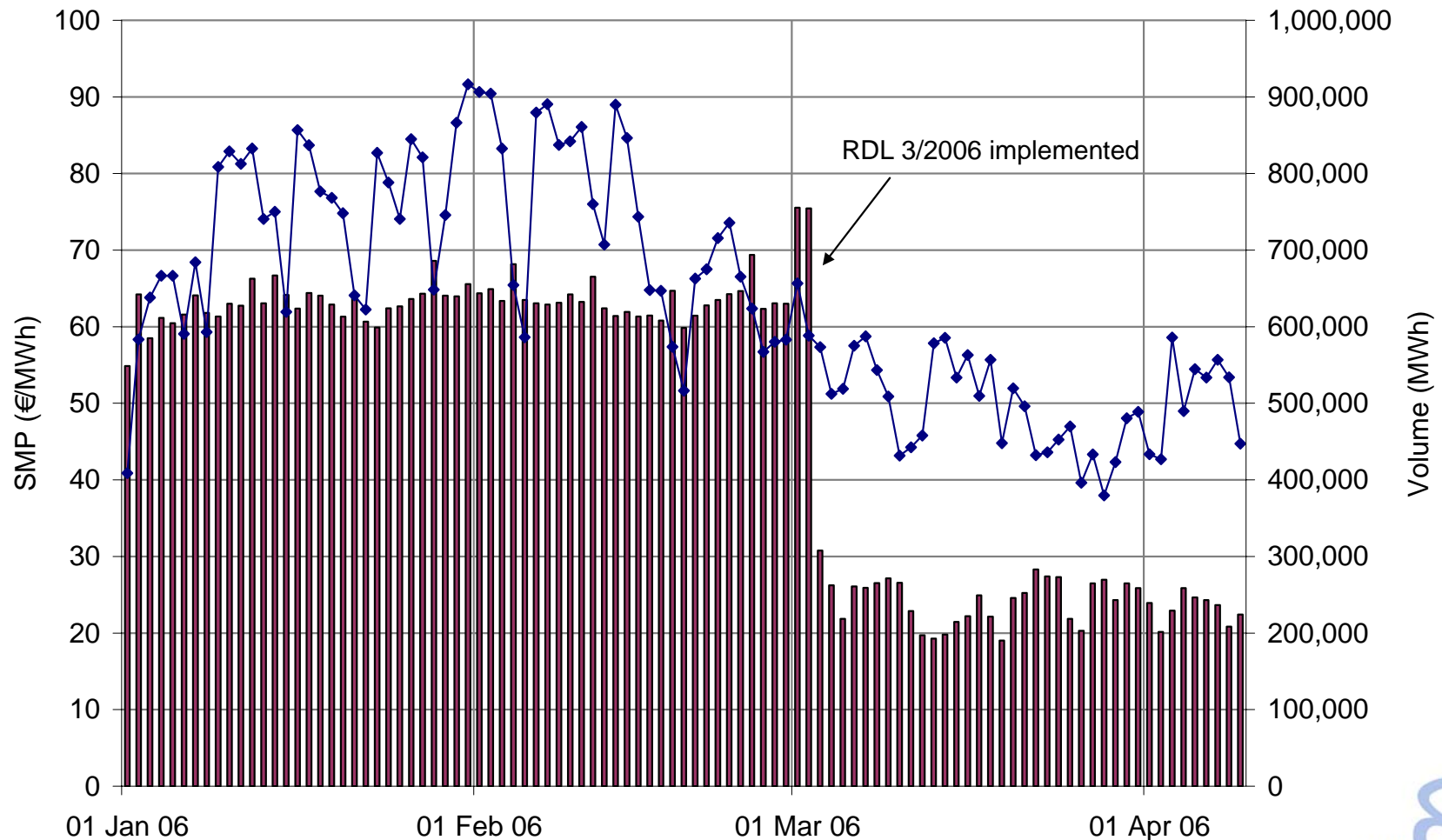
## How are tariff deficits created in the Spanish market?



## What has been the effect so far?

Effect on volumes has been enormous: drop of 60%

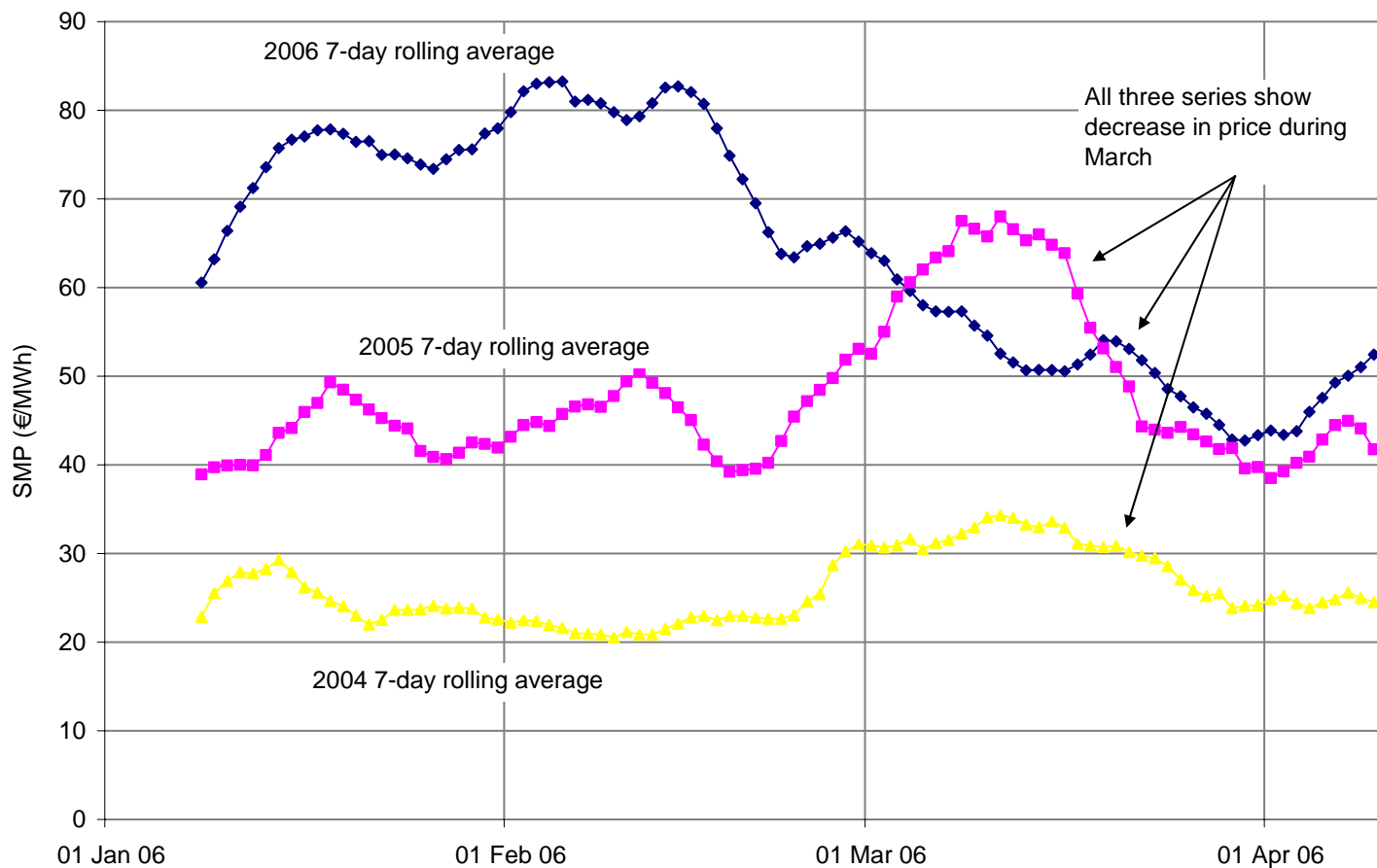
Effect on prices less clear – drop of 27% since 1 Jan, but possibly caused by other factors that we will discuss in the next slide.



## What has been the effect so far?

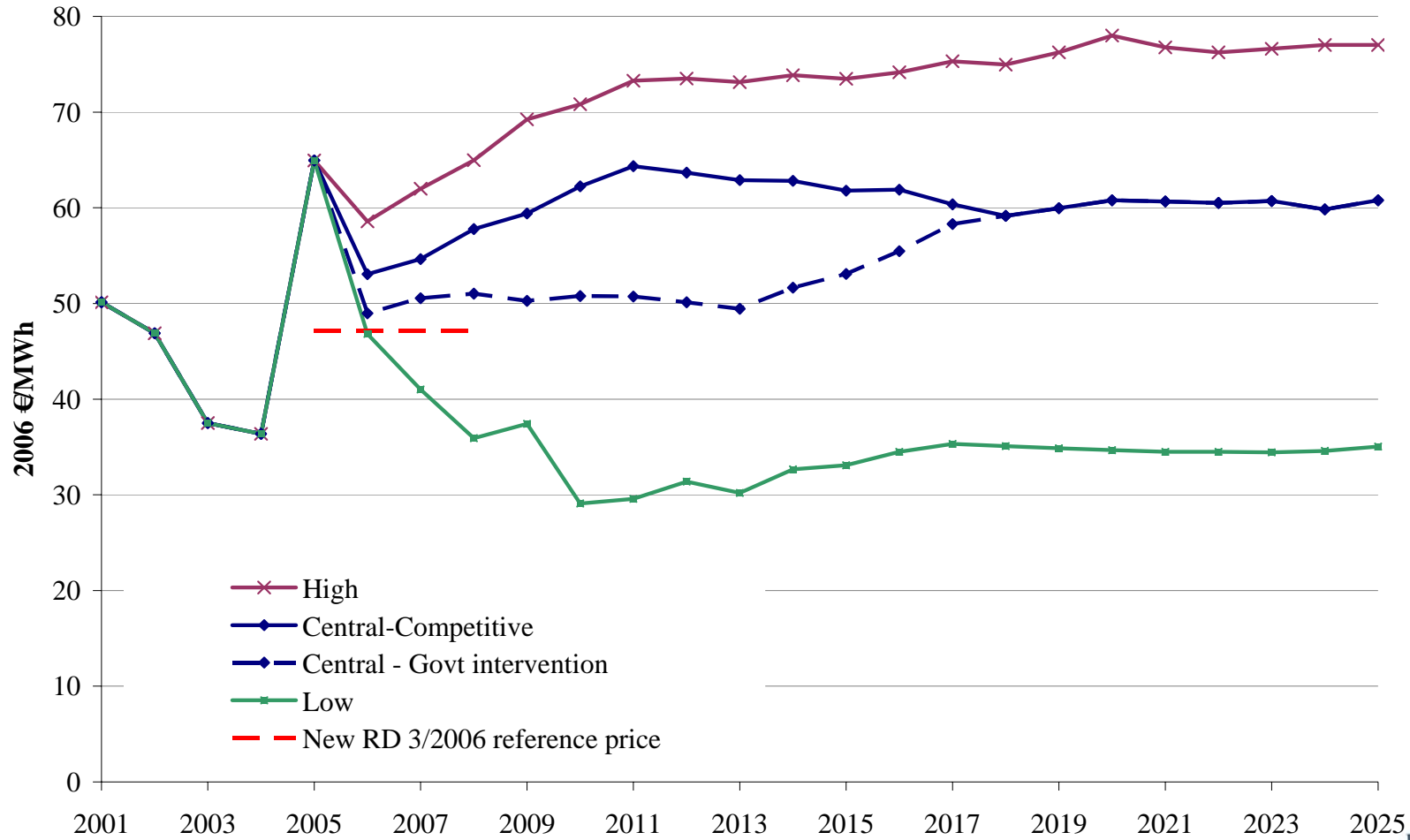


Comparison of Jan – April prices during 2004, 2005 and 2006 (7-day rolling average)

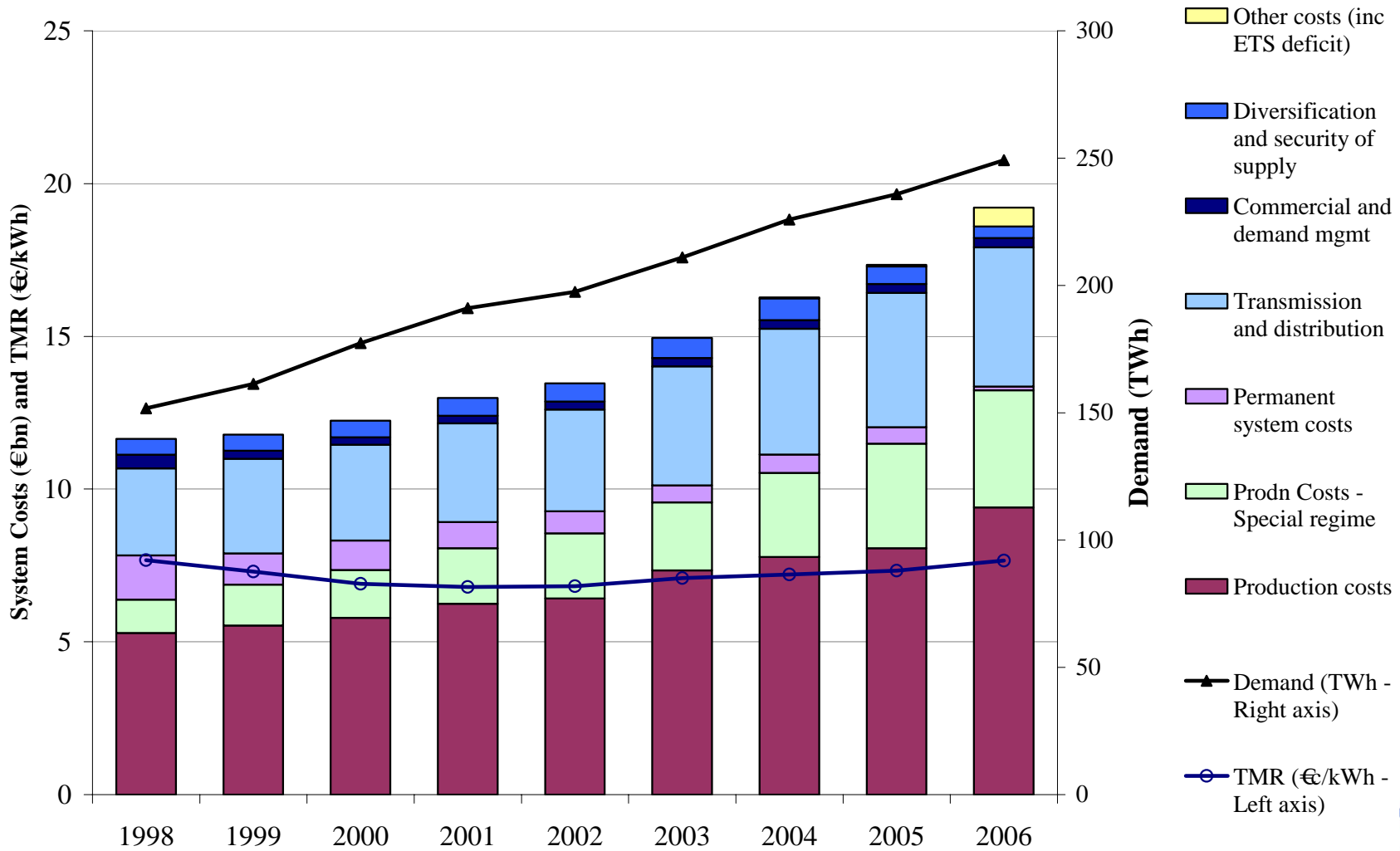


Possibly due to a combination of factors, reduction in demand, increases in the levels of hydro reserve, and / or a reduction in the value of CO2 certificates (2006)

# Historical and Projected pool price



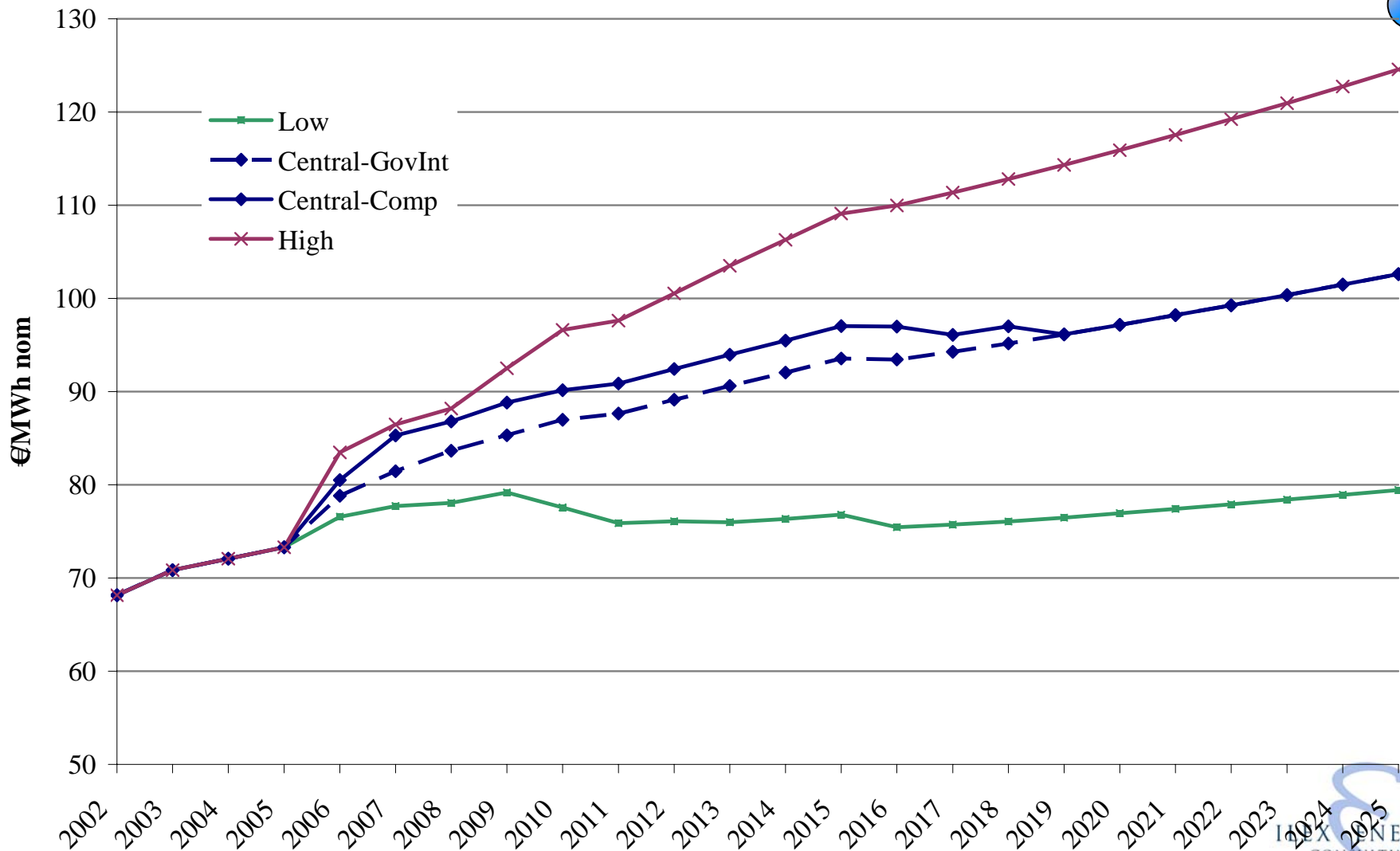
# Historical demand, TMR(\*1) and split of system costs (nominal terms)



(\*1) TMR is the Average Reference Tariff (average cost of supplying electricity). Total electricity systems costs / total demand

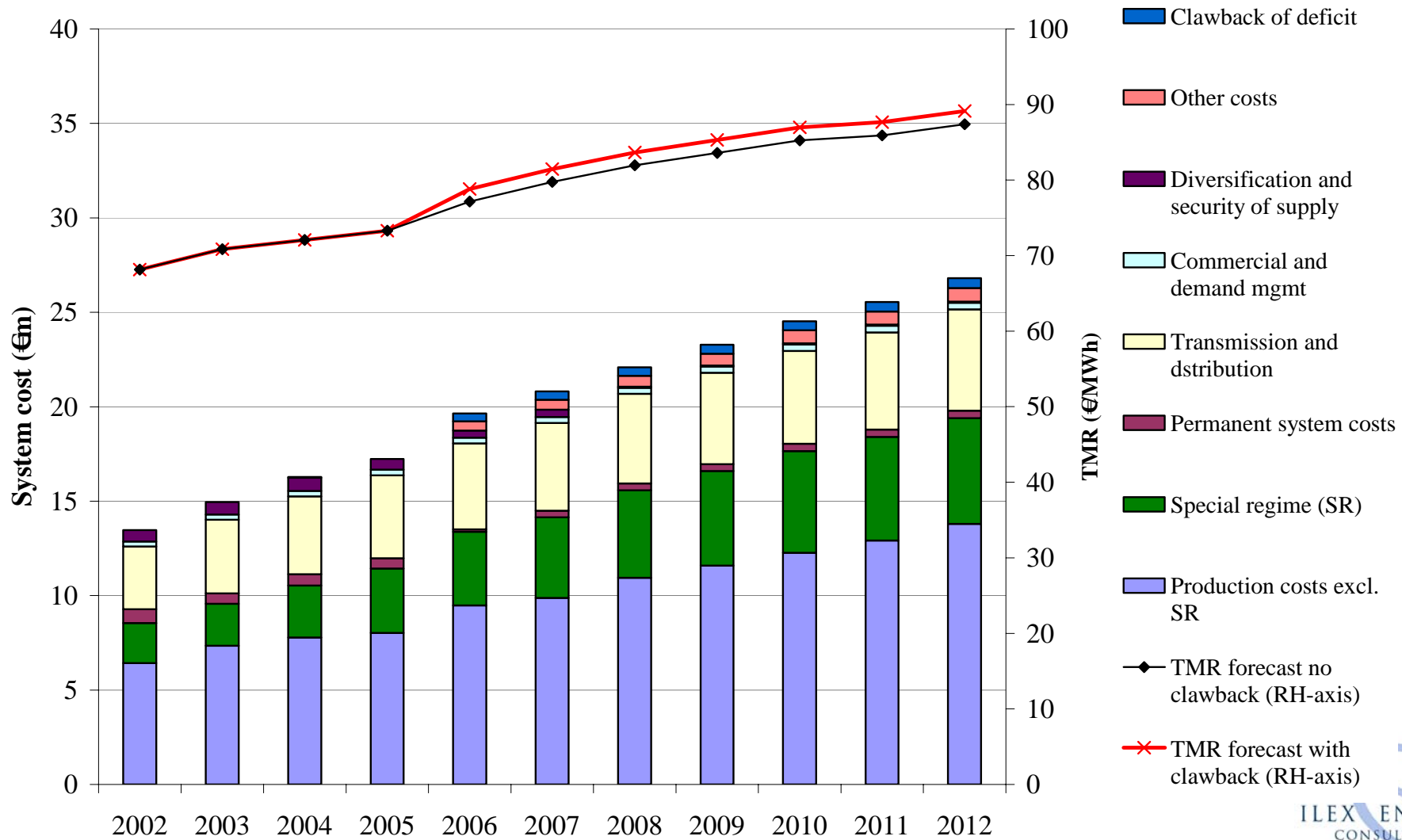


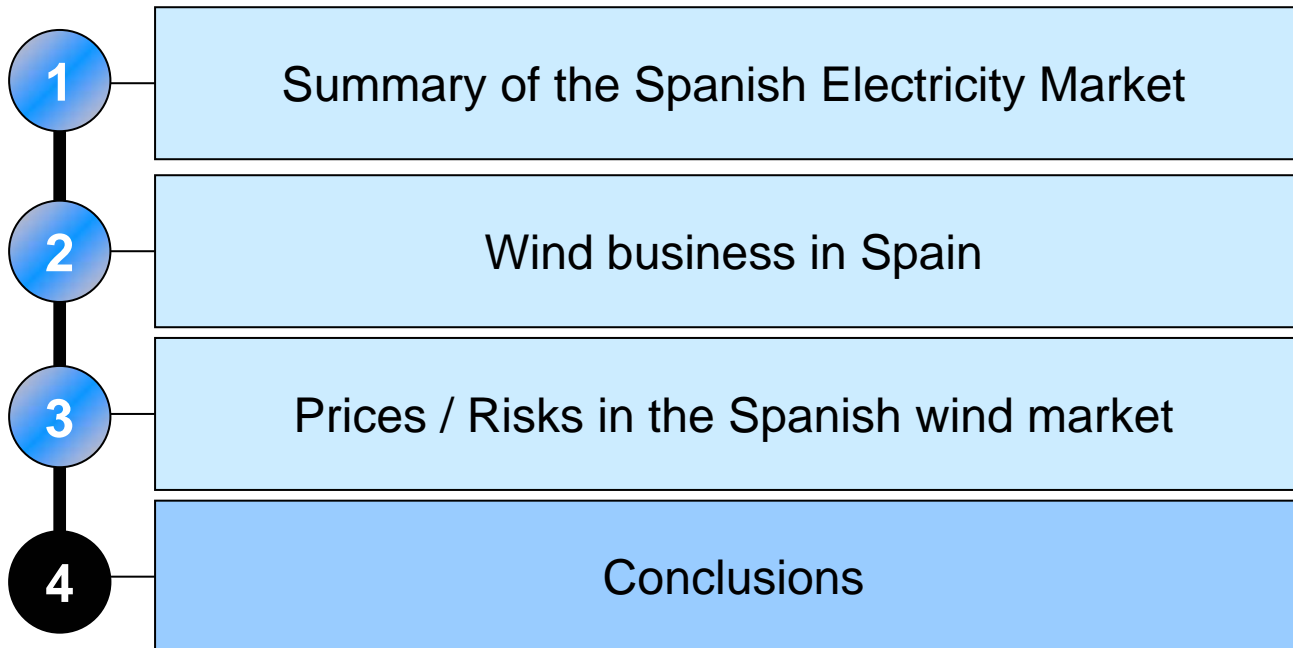
# ILEX forecasts of TMR growth (nominal)





# 'Central Govt Intervention' TMR forecast





## Conclusions



The key to the future development of wind in Spain will be the form and level of the support mechanism.

Brent prices will most likely lead to increased pool prices and therefore an increase in TMR. In the short term we expect sharp rises in TMR (due to tariff deficit claw back and increased generation costs).

The fact that the incumbent utilities have taken such a strong position in the wind business is beneficial for all players (stronger lobbying power).

## Conclusions

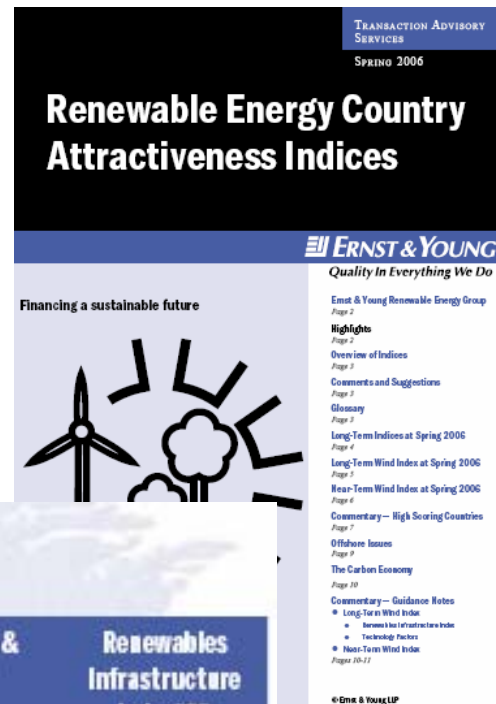


Although there is a risk that the Government could intervene to avoid “wind-fall” profits for wind farm owners (especially if Brent continues to increase), there are a number of reasons why we feel the Government will not take any drastic short-term measures that could impact the development of the wind market.

1. Wind development is key for Spain to achieve its Kyoto targets (new Renewable Energy Plan calls for 12 GW of new development by 2010).
2. The success of the Spanish wind business is used as a role model by other countries, we doubt that the Government will damage that image in the short term.
3. Wind energy helps to reduce the Spanish dependency on the use of fossil fuels (unstable prices as well as impact on levels of emissions)
4. RD 436 as well as the Law 54/1997 provides protection for operating wind farms.
5. Employment / Industry

## Conclusions

Spain is still considered by ILEX (and other sources) as one of the most attractive wind markets.



## Long-Term Indices at Spring 2006

Ranking**		Country	All Renewables Index	Wind Index	Solar Index	Biomass & Other Index	Renewables Infrastructure Index***
1	(1)	Spain	69	70	73	59	80
2	(2)	USA*	67	67	71	60	70
3	(3)	Germany	62	62	72	60	56
4	(5)	India	61	63	61	46	66
5	(4)	UK	60	62	44	53	61
6	(6)	Italy	58	59	58	52	63
7	(7)	France	57	58	56	52	55
8	(7)	Portugal	56	57	58	49	63
8	(9)	China	56	59	42	34	59
10	(9)	Canada	55	58	41	41	63

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