

To:

- 1.** The Company Secretary
Blue Transmission Walney 1 Limited
The American Barns
Banbury Road
Lighthorne
Warwick
Warwickshire
CV35 0AE

Consent issued by the Gas and Electricity Markets Authority under sub-paragraphs 4(b)(i) and 4(b)(ii) of amended standard condition E12-C2 (Separation and Independence of the Transmission Business) of the offshore transmission licence granted under section 6 of the Electricity Act 1989 to Blue Transmission Walney 1 Limited

Whereas

Macquarie Capital Group Limited (a consortium of Macquarie Capital Group Limited and Barclays Infrastructure Funds Management Limited) was announced as the preferred bidder for the Walney 1 offshore transmission project (the "**Project**") on 5 August 2010.

1. On 5 October 2011 the preferred bidder became the successful bidder for the Project and the Gas and Electricity Markets Authority (the "**Authority**") determined to grant an offshore transmission licence in respect of the Project to the successful bidder. The Authority subsequently confirmed that determination on 20 October 2011. Consequently, Blue Transmission Walney 1 Limited (the "**Licensee**") is the holder of an offshore transmission licence granted under section 6 of the Electricity Act 1989 in respect of the Project (the "**Licence**").
2. Amended standard condition E12-C2 (*Separation and Independence of the Transmission Business*) (the "**Condition**") of the Licence requires (except insofar that the Authority consents to a licensee not doing so) the Licensee to implement and maintain certain business separation and independence arrangements as specified in the Condition.
3. On 24 November 2010 the preferred bidder requested in advance of Licence grant that the Authority consider consenting to arrangements being put in place that would enable the sharing on Licence grant of certain resources specified in paragraph 4(b) of the Condition between the Licensee and its associated businesses.
4. The Licensee has confirmed the request and has notified the Authority that:
 - a. The Licensee is indirectly jointly owned by Macquarie Capital Group Limited and Barclays Infrastructure Funds Management Limited (in its capacity as manager of Barclays European Infrastructure Fund II).
 - b. Blue Transmission Investments Limited ("**BTIL**") is the ultimate holding company of the Licensee and is directly jointly owned by Macquarie Capital Group Limited (50% shareholding) and Barclays Infrastructure Funds Management Limited (in its capacity as manager of Barclays European Infrastructure Fund II) (50% shareholding).
 - c. BTIL is the holding company of Blue Transmission Walney 1 HoldCo Limited ("**BTW HoldCo**"), and BTW HoldCo is the holding company of the Licensee.
 - d. Frontier Power Limited ("**FPL**") has entered into a management services agreement ("**MSA**") with BTIL, BTW HoldCo and the Licensee, under which FPL will provide a range of general management services to the

Licensee, including the supervision of BTIL employees, and the management of the performance of audit services by external auditors in relation to BTIL, BTW HoldCo and the Licensee.

- e. The Licensee will contract directly with its principal external service providers and such contracts will be managed by FPL utilising the resources (premises, utilities, equipment and employees) made available by BTIL.
- f. BTIL will also contract for a range of common services (including the management services provided by FPL under a MSA) to be used by any other subsidiaries that become transmission licensees and such costs, and the costs incurred by BTIL in fulfilling its service company role will be fully allocated across these licensed subsidiaries.

Reasons for the Authority's consent

- 5. The Authority has considered the requirements of the Condition and the extent to which the arrangements proposed by the Licensee meet those requirements. The Authority considers that if it grants consent to the arrangements proposed the Licensee will be able to meet the requirements of the Condition.
- 6. The Authority has also considered the requirements of other related Licence conditions¹ and the extent to which the Licensee will be able to meet those requirements if the Authority grants consent to the arrangements proposed by the Licensee. The Authority considers that if it grants consent to the arrangements proposed the Licensee will be able to meet the requirements of these related Licence conditions.
- 7. The Authority considers that the arrangements consented to in paragraphs 9(a) and (b) below are necessary to enable the Licensee to conduct the transmission business in an efficient manner and do not provide the Licensee with any unfair commercial advantage.
- 8. The Authority further considers that the provision of this consent shall not prevent the Licensee from complying with its obligations:
 - a. to ensure that the transmission business shall not give or receive any cross subsidy;
 - b. not to conduct any business or carry on any activity other than the transmission business;
 - c. to secure that it does not obtain (or allow its affiliates or related undertakings² involved in the offshore transmission tender process to obtain) any unfair commercial advantage from the transmission business; or

¹ These are standard condition E6 (Prohibition of cross subsidies), standard condition E7 (Restriction on Activity and Financial Ring Fencing) and amended standard condition E12-C1 (Conduct of the Transmission Business) as specified in paragraph 1 of amended standard condition E12-C2.

² Affiliate and related undertaking have the meaning given in the Licence.

- d. to uphold the managerial and operational independence of the Licensee from any associated business.

Consent

9. The Authority hereby gives consent to the Licensee under:

- a. paragraph 4(b)(i) of the Condition for the affiliates of the Licensee to use or have access to:
 - (i) premises or parts of premises occupied by the Licensee;
 - (ii) systems of the Licensee for the recording, processing or storage of data;
 - (iii) equipment, facilities and property employed by the Licensee; and
 - (iv) services of persons who are engaged by the Licensee,for the purpose of management or operation of the transmission business; and
- b. paragraph 4(b)(ii) of the Condition to enable any person who ceases to be engaged in the management or operation of the transmission business to be engaged in, or in respect of, the activities of the affiliates of the Licensee.

10. Should any affiliates of the Licensee become authorised under the Electricity Act 1989 to generate, supply or distribute electricity, this consent shall cease to have effect in relation to such affiliates.

11. Should any affiliates of the Licensee have an electricity transmission licence with section C (system operator standard conditions) in effect, this consent shall cease to have effect in relation to such affiliates.

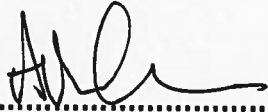
12. For the purpose of the consent set out in paragraphs 9(a) and (b), the Licensee is not authorised to obtain, nor allow any affiliate to obtain, an unfair commercial advantage from having shared access or use of the resources specified in paragraphs 9(a) and (b).

13. Nothing in this consent authorises the Licensee not to have in place a statement approved by the Authority describing the practices, procedures and systems which the Licensee has adopted (or intends to adopt) to secure compliance with the Condition and should the Licensee fail to have in place the approved statement 30 days after Licence grant (or such other time directed by the Authority in accordance with paragraph 2 of the Condition) this consent shall cease to have effect.

14. Nothing in this consent authorises the Licensee not to maintain at all times the appropriate systems of control and governance required by the Licence which are necessary to ensure compliance with the obligations contained in the Condition and should the Licensee fail at any time to maintain the required systems of control and governance, this consent shall cease to have effect.

Notice of reasons

15. This document also constitutes a notice under section 49A of the Electricity Act of the reasons for the decision of the Authority to give this consent pursuant to the Condition.



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Mark Cox
Associate Director, Offshore Transmission

Duly authorised on behalf of the
Gas and Electricity Markets Authority

Date: 21 October 2011

1. The first part of the document is a letter from the President of the United States to the Congress, dated July 4, 1776. It is a declaration of independence, and it is the first of its kind in the history of the world. It is a document that has inspired millions of people, and it is a document that has shaped the course of human history.

John Adams

2. The second part of the document is a letter from the President of the United States to the Congress, dated July 4, 1776. It is a declaration of independence, and it is the first of its kind in the history of the world. It is a document that has inspired millions of people, and it is a document that has shaped the course of human history.