

Consent issued by the Gas and Electricity Markets Authority under paragraph 3 of standard condition E2 (Regulatory Accounts) of the offshore transmission licence granted under section 6 of the Electricity Act 1989 to TC Gunfleet Sands OFTO Limited

Whereas

1. TC Gunfleet Sands OFTO Limited (the '**Licensee**') is the holder of an offshore transmission licence granted under section 6 of the Electricity Act 1989 (the '**Licence**').
2. Standard condition E2 (Regulatory Accounts) (the '**Condition**') of the Licence requires (except insofar that the Authority consents to a Licensee not doing so) the Licensee to prepare regulatory accounts for each financial year ending the 31 March and to publish these accounts by the 31 July following the end of the financial year to which the accounts relate.
3. International Public Partnerships Limited is the ultimate parent company of TC Gunfleet Sands OFTO Limited.
4. On 23 July 2012 the Licensee requested that the Authority consider consenting to alternative arrangements in relation to the preparation of the Licensee's regulatory accounts. The Licensee wishes to provide regulatory accounts for the period to 31 March 2012 on a consolidated basis for both TC Gunfleet Sands OFTO Limited and TC Gunfleet Sands Holdco Limited.
5. For the purposes of paragraphs 4, 9 and 12 and on the basis of the notification given by the licensee in paragraph 4, 'consolidated' shall have the meaning attributed to it by the definition of 'consolidated financial statements' contained within all relevant accounting and reporting standards currently in force which have been issued or adopted by the Accounting Standards Board or, where appropriate, by the International Accounting Standards Board.
6. The Licensee has notified the Authority that:
 - a. TC Gunfleet Sands OFTO Limited is wholly owned by TC Gunfleet Sands Holdco Limited and these two legal entities are managed together on a unified, consolidated transmission business basis. The terms and conditions concerning the external debt facilities including asset security, covenants and protections provided to senior lenders are also monitored and controlled on a unified, consolidated business basis.
 - b. TC Gunfleet Sands Holdco Limited has been established with the principal activity of procuring and providing finance to TC Gunfleet Sands OFTO. It does not conduct any other business, nor does it own any other investments or assets and it is ring fenced from the rest of International Public Partnership Limited's investments.

Considerations in relation to the decision

7. The Authority has considered the request in light of the Licensee's particular circumstances and the extent to which the alternative arrangements proposed by the Licensee meet the requirements of the Condition.

8. The business of TC Gunfleet Sands OFTO Limited and TC Gunfleet Sands Holdco Limited are linked and they are managed together on a unified, consolidated basis. TC Gunfleet Sands Holdco Limited obtained shareholder and external debt finance and on-lent this to TC Gunfleet Sands OFTO Limited to enable TC Gunfleet Sands OFTO Limited to acquire the Gunfleet Sands transmission assets.
9. The provision of consolidated regulatory accounts for TC Gunfleet Sands OFTO Limited and TC Gunfleet Sands Holdco Limited should aid transparency in presenting the performance and position of the transmission business on a consolidated basis, as this more accurately reflects the commercial substance of the arrangements (i.e. by showing the presence of external debt financing as part of the OFTO's funding arrangements).
10. The Authority considers that the proposed alternative arrangements are appropriate to enable the Licensee to meet the requirements of the Condition whilst providing greater transparency of its financial arrangements.

Consent

11. The Authority hereby gives consent to the Licensee under paragraph 3(b) of the Condition to the regulatory accounts arrangement detailed in paragraph 12 below as being an acceptable alternative arrangement for the Licensee in accordance with the Condition, subject to paragraph 13.
12. The Licensee shall produce consolidated regulatory accounts for the period to 31 March 2012. For the avoidance of doubt, the accounts which are permitted to be consolidated within the scope of this consent shall be those of TC Gunfleet Sands OFTO Limited and TC Gunfleet Sands Holdco Limited only.
13. In the event of any change in the organisational structure or the activities of TC Gunfleet Sands OFTO Limited and TC Gunfleet Sands Holdco Limited this consent shall cease to have effect. For the avoidance of doubt, nothing in this consent authorises the Licensee not to comply with the Condition.

Notice of reasons

14. This document also constitutes the 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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Robert Hull
Managing Director, Commercial

Duly authorised on behalf of the
Gas and Electricity Markets Authority

Date: 31 July 2012