

To:

1. The Company Secretary
Blue Transmission Sheringham Shoal Limited
The American Barns
Banbury Road
Lighthorne
Warwick
Warwickshire
CV35 0AE

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

Whereas

1. A consortium of Macquarie Capital Group Limited and Barclays Integrated Infrastructure Fund (managed by Barclays Infrastructure Funds Management Limited) was announced as the preferred bidder for the Sheringham Shoal project (the 'Project') on 5 August 2010.
2. On 10 May 2013 the preferred bidder became the successful bidder for the Project and the Gas and Electricity Markets Authority (the 'Authority') determined to grant a transmission licence in respect of the Project to the successful bidder. The Authority subsequently confirmed that determination on 26 June 2013. Consequently, Blue Transmission Sheringham Shoal Limited (the 'Licensee') is the holder of a transmission licence (the 'Licence') granted in respect of the Project under section 6(1)(b) of the Electricity Act 1989 (the 'Act').
3. 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.
4. On 31 August 2012 the preferred bidder requested that the Authority consider consenting to arrangements being put in place that would enable the sharing of certain resources specified in paragraph 4(b) of the Condition between the Licensee and its associated businesses (the 'Proposed Arrangements') should Blue Transmission Sheringham Shoal Limited be granted the Licence.
5. The preferred bidder notified the Authority that:
 - a) Blue Transmission Sheringham Shoal Investments Limited ('BTSS Investments') is the holding company of Blue Transmission Sheringham Shoal Holdings Limited ('BTSS Holdings'), and BTSS Holdings is the holding company of the Licensee.
 - b) BTSS Investments is directly jointly owned by Macquarie Capital Group Limited (50% shareholding) and BIF Offshore Windkraft Holdings Limited (which is a wholly owned subsidiary of Barclays Integrated Infrastructure Fund LP) (50% shareholding).
 - c) As a result, the Licensee is indirectly jointly owned by Macquarie Capital Group Limited and Barclays Infrastructure Funds Management Limited (in its capacity as manager of Barclays Integrated Infrastructure Fund LP).
 - d) Following Licence grant and the transfer of the Project's transmission assets to the Licensee, it is intended that:
 - i) BTSS Investments shall be transferred to Blue Transmission Investments Limited ('BTIL'); and

- ii) At a future date, BTSS Investments will be wound up and BTSS Holdings will be directly owned by BTIL.
 - e) Frontier Power Limited ('FPL') has entered into a management services agreement ('MSA') with, amongst others, BTIL, to which BTSS Holdings and the Licensee shall accede following Licence grant. Under the MSA and other related documents, FPL will provide a range of general management services to the Licensee, including the supervision of BTIL employees, and the management of tax, accounting, credit rating, technical advisory and secretarial services in relation to BTSS Investments, BTSS Holdings and the Licensee.
 - f) The Licensee will contract directly with its principal external service providers and such contracts will be administered by BTIL.
 - g) 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.
6. The 31 August 2012 request has been taken to constitute a request from the Licensee for the Authority's consent to the Proposed Arrangements referred to in paragraphs 4 and 5 above.

Reasons for the Authority's consent

7. 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 the Licensee's Proposed Arrangements will not affect the overall independence of the transmission business and therefore if the Authority grants consent the Licensee will be able to meet the policy aims of the Condition.
8. 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 the Licensee's Proposed Arrangements will not result in cross-subsidies nor create an unfair commercial advantage and therefore if the Authority grants consent the Licensee will be able to meet the policy aims of these related Licence conditions.
9. The Authority considers that the arrangements consented to in paragraphs 11(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.
10. The Authority further considers that the provision of this consent shall not prevent the Licensee from complying with its obligations, in particular:
- a) to ensure that the transmission business shall not give or receive any cross subsidy;

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.

- b) to not conduct any business or carry on any activity other than the transmission business;
- c) to secure that it does not obtain (or allow its associated businesses² involved in the offshore transmission tender process to obtain) any unfair commercial advantage from the transmission business; or
- d) to uphold the managerial and operational independence of the Licensee from any associated business.

The Authority hereby gives consent

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

- a) paragraph 4(b)(i) of the Condition for the associated business 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, insofar as is legally possible, 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 or related undertakings of the Licensee notwithstanding the expiry of an appropriate time from the date on which that person ceased to be engaged by the transmission business,

subject to paragraphs 12 to 15 of this consent.

- 12. Should any of the Licensee's associated businesses become authorised under the Act to generate, supply, or coordinate or direct the flow of electricity, this consent shall cease to have effect.
- 13. For the purpose of the consent set out in paragraphs 11(a) and (b), the Licensee is not authorised to obtain, nor allow any associated business or staff from any associated business to obtain, an unfair commercial advantage from having shared access or use of the resources specified in paragraphs 11(a) and (b).
- 14. 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.
- 15. 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

² Associated business has the meaning given in the Licence.

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

16. This document also constitutes the Notice under section 49A of the Act of the reasons for the decision of the Authority to give this consent pursuant to the Condition.

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Stephen Beel
Associate Director, Offshore Transmission

Duly authorised on behalf of the
Gas and Electricity Markets Authority

Date: 27 June 2013