

To:

1. The Company Secretary  
Greater Gabbard OFTO plc  
350 Euston Road  
London  
NW1 3AX

**Consent issued by the Gas and Electricity Markets Authority under paragraph 4(b) 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 Greater Gabbard OFTO plc**

**Whereas**

1. The GET Balfour Beatty Consortium (a consortium of Balfour Beatty Investments Limited, Equitix Limited and AMP Capital Investors Limited) was announced as the preferred bidder for the Greater Gabbard project (the 'Project') on 26 May 2011.
2. On 28 October 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 25 November 2013. Consequently, Greater Gabbard OFTO plc (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 25 February 2013 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 Greater Gabbard OFTO plc be granted the Licence. Updates to the consent request were provided on 17 May 2013, 12 August 2013 and 14 August 2013.
5. The preferred bidder notified the Authority that:
  - a) Balfour Beatty plc (the 'Balfour Beatty Parent') holds an indirect 33.3 per cent interest in the Licensee through Balfour Beatty Infrastructure Investments Limited, Balfour Beatty OFTO Holdings Limited and Greater Gabbard OFTO Holdings Limited ('Holdco').
  - b) Equitix Fund II LP (the 'Equitix Parent') holds an indirect 33.3 per cent interest in the Licensee through Equitix Fund Holdco 2 Limited, Equitix Capital Eurobond 2 Limited, Equitix Transmission 2 Limited and Holdco.
  - c) AMP Strategic Infrastructure Trust of Europe (the 'AMP Parent') holds an indirect 33.3 per cent interest in the Licensee through AMP Capital Investors (European Infrastructure No.4) SARL, AMP Capital Investors UK Cable Limited and Holdco.
  - d) Holdco holds a direct 100 per cent ownership interest in the Licensee. Holdco is owned indirectly in equal proportions by the Balfour Beatty Parent, the Equitix Parent and the AMP Parent.
  - e) Greater Gabbard OFTO Intermediate Limited, a wholly owned subsidiary of Holdco, will provide certain financing arrangements to the Licensee.

- f) Balfour Beatty Utility Solutions Limited, acting as agent for Balfour Beatty Group Limited, will be the principal contractor of the Licensee for all operations and maintenance services. Both Balfour Beatty Utility Solutions Limited and Balfour Beatty Group Limited are indirectly wholly owned subsidiaries of the Balfour Beatty Parent.
  - g) AMP Capital Investors UK Cable Limited, Balfour Beatty OFTO Holdings Limited, Equitix Transmission 2 Limited, or any of their associated companies, will be the principal contractors of the Licensee for all management services including asset management and financial management.
6. The 25 February 2013, 17 May 2013, 12 and 14 August 2013 requests have 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 Licensee's Proposed Arrangements 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 conditions<sup>1</sup> 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 12(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;
  - 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 businesses 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.

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<sup>1</sup> 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.

11. 'Associated business' has the meaning given in amended standard condition E12-A1 (Definitions and Interpretation) of the Licence.

**The Authority hereby gives consent**

12. 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, or in respect of, the management or operation of the transmission business to be engaged in, or in respect of, the activities of any other business of the Licensee (or of any affiliate or related undertaking 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 13 to 16 of this consent.

13. 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 in relation to such associated businesses.

14. For the purpose of the consent set out in paragraphs 12(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 12(a) and (b).

15. 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.

16. 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**

17. 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: 26 November 2013**