

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 paragraphs 1 and 3 of standard condition E11 (Credit Rating of Licensee) 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 under section 6(1)(b) of the Electricity Act 1989 (the 'Act') in respect of the Project.
3. Standard condition E11 (Credit Rating of Licensee) of the Licence requires the Licensee to use all reasonable endeavours to ensure that it maintains at all times:
 - i. an investment grade issuer credit rating;
 - ii. investment grade instrument credit ratings for debt instruments that it has issued and whose aggregate nominal value is at least 75% of a figure equating to the Licensee's total assets minus total liabilities as shown in its most recent statutory accounts; or
 - iii. such alternative financial arrangements to which the Authority has given its consent in writing, subject to any conditions that the Authority considers to be appropriate.
4. On 5 June 2013 the preferred bidder notified the Authority that it requests the Authority's consent to alternative financial arrangements. This request was subsequently updated on 12 August 2013. The alternative financial arrangement proposed by the preferred bidder is for the Licensee to hold an investment grade instrument credit rating in the form of a Long Term Senior Secured Debt Rating by Moody's Investors Services (a 'Moody's Rating').
5. The 5 June 2013 request and the 12 August 2013 update have been taken to constitute a request from the Licensee for the Authority's consent to the arrangements described in paragraph 4 above.

Reasons for the Authority's consent

6. The Authority has considered the requirements of standard condition E11 and the extent to which the alternative arrangement proposed by the Licensee, namely an investment grade instrument credit rating in the form of a Moody's Rating, meets those requirements. The Authority has considered the request for the alternative credit rating arrangements in light of the Licensee's particular circumstances and the extent to which the proposed arrangement would demonstrate sufficient financial standing of the Licensee. The Authority considers that the alternative arrangement will satisfy the policy aims of standard condition E11.

7. The Authority considers that the proposed alternative arrangement is appropriate to the Licensee and provides the Licensee with a proportionate and practical way of achieving the policy aims of standard condition E11. Further, the proposed arrangement is consistent with our indicative alternative arrangements set out in the open letter dated 13 October 2010¹.

The Authority hereby gives consent

8. The Authority hereby gives consent under paragraphs 1 and 3 of standard condition E11 for the Licensee to maintain the alternative financial arrangement of an investment grade instrument credit rating in the form of a Moody's Rating in accordance with standard condition E11 subject to the following:

- i. 'Instrument credit rating' is as defined in standard condition A1;
- ii. 'Investment grade' is as defined in standard condition A1. However, should a higher credit rating be specified by Moody's Investors Services as the minimum required to qualify for an investment grade credit rating, that higher credit rating is to be taken as the relevant investment grade for the purposes of this alternative arrangement; and
- iii. nothing in this consent authorises the Licensee not to use all reasonable endeavours to maintain at all times the alternative financial arrangement set out in this paragraph and should the Licensee fail to use all reasonable endeavours to maintain the alternative financial arrangement consent set out in this paragraph, this consent shall cease to have effect.

Notice of reasons

9. This document also constitutes a Notice under section 49A of the Act of the reasons for the decision of the Authority to give this consent pursuant to standard condition E11.

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Stephen Beel
Associate Director, Offshore Transmission

Duly authorised on behalf of the
Gas and Electricity Markets Authority

26 November 2013

¹ [Open letter regarding alternative credit rating arrangements for Offshore Transmission Owners \(OFTOs\)](#)