

To:

Company Secretary  
Thanet OFTO Limited  
6<sup>th</sup> Floor  
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 offshore transmission licence granted under section 6(1)(b) of the Electricity Act 1989 to Thanet OFTO Limited.**

**Whereas:**

1. On 16 December 2014 the Gas and Electricity Markets Authority (the '**Authority**') determined to grant an offshore transmission licence in respect of the Thanet project (the '**Project**') to Thanet OFTO Limited (the '**Licensee**'). Consequently, 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**').
2. Standard Condition E11 (Credit Rating of Licensee) of the Licence (the '**Condition**') 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.
3. The Authority provided a consent to the Licensee in respect of the Condition on 17 December 2014 (the '**Existing Consent**').
4. On 26 February 2015 the Licensee notified the Authority that it intended to maintain alternative financial arrangements to those referred to in the Existing Consent. The alternative financial arrangement proposed is for the Licensee to hold an investment grade instrument credit rating in the form of a long-term issue rating by Standard and Poor's Ratings Services (a '**S&P Rating**').
5. The 26 February 2015 request has 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 the Condition and the extent to which the alternative arrangements proposed by the Licensee, namely an investment grade instrument credit rating in the form of a S&P Rating, meet 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 arrangements would demonstrate sufficient financial standing of the Licensee. The Authority considers that the alternative arrangements proposed by the Licensee will be able to satisfy the policy aims of the Condition.

7. The Authority considers that the proposed alternative arrangements are appropriate to the Licensee and provides the Licensee with a proportionate and practical way of achieving the policy aims of the Condition. Further, the proposed arrangements are consistent with our indicative alternative arrangements set out in the open letter dated 13 October 2010.

**The Authority hereby gives consent**

8. The Authority hereby gives consent under paragraphs 1 and 3 of the Condition for the Licensee to maintain the alternative financial arrangement of an investment grade instrument credit rating in the form of a S&P Rating in accordance with the Condition 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 Standard and Poor's Rating 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 arrangements set out in this paragraph and should the Licensee fail to use all reasonable endeavours to maintain the alternative financial arrangements consent set out in this paragraph, this consent shall cease to have effect.
9. This consent will remain in effect until Thanet OFTO Limited publish its statutory accounts and is able to satisfy the requirements of paragraph 1(b) of the Condition, as stated in the request dated 26 February 2015.
10. This consent replaces the Existing Consent, which is hereby revoked from the date of this consent.

**Notice of reasons**

11. This document also constitutes 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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**Min Zhu**  
**Associate Director, Offshore Transmission**

**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**Date: 26 February 2015**