

To:

Company Secretary
Thanet OFTO Limited
6th Floor
350 Euston Road
London
NW1 3AX

Consent issued by the Gas and Electricity Markets Authority (the 'Authority') under paragraph 1(d) of standard condition E10 (Indebtedness) of the offshore transmission licence granted under section 6 of the Electricity Act 1989 to Thanet OFTO Limited

Whereas

1. Thanet 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 E10 (Indebtedness) (the '**Condition**') of the Licence requires the Licensee to ensure they do not enter into certain arrangements which could lead to their indebtedness without the prior written consent of the Authority.
3. Paragraph 1(d) of the Condition states that the Licensee shall not enter into an agreement or incur a commitment incorporating a cross-default obligation.
4. On 11 May 2015 the Licensee requested the Authority's consent under paragraph 1(d) of the Condition in relation to its VAT grouping arrangements. The Licensee wishes to maintain a VAT group consisting of the Licensee, Thanet OFTO HoldCo Limited and Thanet OFTO Intermediate Limited.
5. The Licensee has notified the Authority that:
 - i. The two affiliated companies in the VAT group, Thanet OFTO HoldCo Limited and Thanet OFTO Intermediate Limited (the '**Affiliated Companies**'), have no transactions which are subject to VAT.
 - ii. The Licensee will report to the Authority to confirm when any transactions incurring VAT have occurred in either of the Affiliated Companies.

Considerations in relation to the decision

6. The Authority has considered the request in light of the Licensee's particular circumstances and the risks of indebtedness associated with the VAT grouping arrangements. The Authority also considers such VAT grouping arrangements to be common business arrangements for administrative purposes.
7. The Authority has also considered the extent to which the alternative arrangements proposed by the Licensee would allow monitoring in respect of the requirements of the Condition. The reporting of any VAT transactions that have taken place will aid monitoring of any liabilities under the cross-default obligation of the Licensee as a result of the VAT grouping arrangements.
8. Specifically, the increased reporting will provide the Authority with the information to assess whether a liability under the cross-default obligation exists and if relevant, whether the level of the liability is acceptable.

Consent

9. The Authority hereby gives consent under paragraph 1(d) of the Condition to the Licensee entering into an agreement or incurring a commitment which could incorporate a cross-default obligation. Such consent is subject to the receipt of reporting as detailed in paragraphs 10 and 11 below. The consent is also subject to paragraphs 12 and 13.

10. The Licensee shall provide reports on the template provided in appendix 1 to this consent if any VAT transactions arise in the Affiliate Companies after this consent is granted. For the avoidance of doubt, the reporting which is permitted to be within the scope of this consent shall be for the Affiliated Companies only.
11. The Licensee shall also report on an annual basis to confirm whether any VAT transactions have arisen in the Affiliate Companies. This reporting should be provided on the template provided in appendix 2 of this consent. The report should be provided with the annual offshore regulatory reporting which is due by 31 July each year and should report for the four VAT quarters ending closest to the reporting deadline.
12. In the event of any change in the organisational structure or the activities of the Affiliated Companies this consent may cease to have effect. For the avoidance of doubt, nothing in this consent authorises the Licensee not to comply with the Condition.
13. In the event that the Authority determines as a result of the information provided by reporting that the level of any liabilities incurred under the cross-default obligation are not acceptable for the Licensee to comply with its obligations under the Condition, the Authority shall notify the Licensee, revoking the consent provided. Following such notification, the Authority shall not accept additional reporting as a means of the Licensee complying with the Condition thereafter.

Notice of reasons

14. This document also constitutes the Notice under section 49A of the Electricity Act 1989 of the reasons for the decision of the Authority to give this consent pursuant to the Condition.

Stephen Beel
Associate Partner, Electricity Transmission

Duly authorised on behalf of the
Gas and Electricity Markets Authority

Date: 13 May 2015

Appendix 1 – VAT reporting template – Thanet OFTO Limited

This reporting relates to the following VAT group for the period from _____

to _____

Thanet OFTO Limited

Thanet OFTO HoldCo Limited

Thanet OFTO Intermediate Limited

As a Director of the Licensee I confirm for the VAT group listed above for the stated period that the transactions detailed in Table 1 below were entered into by Thanet OFTO HoldCo Limited or Thanet OFTO Intermediate Limited, as affiliates of Thanet OFTO Limited (the '**Licensee**'), in the period.

Item	Sale / Purchase	Net Amount	VAT	Gross
Total liability / (repayment)				

Signed:

Print Name: _____

Position:

Date: _____

Appendix 2 – VAT annual reporting template – Thanet OFTO Limited

This reporting relates to the following VAT group for the period from _____
to _____

Thanet OFTO Limited
Thanet OFTO HoldCo Limited
Thanet OFTO Intermediate Limited

As a Director of the Licensee I confirm for the VAT group listed above for the stated period:

Either (please delete as applicable):

That Thanet OFTO HoldCo Limited and Thanet OFTO Intermediate Limited, as affiliates of Thanet OFTO Limited (the '**Licensee**'), did not enter into any transactions in the period that attracted VAT

or

That the transactions detailed in Table 1 below were entered into by Thanet OFTO HoldCo Limited or Thanet OFTO Intermediate Limited, as affiliates of Thanet OFTO Limited (the '**Licensee**'), in the period and attracted VAT.

Item	Sale / Purchase	Net Amount	VAT	Gross
Total liability / (repayment)				

Signed: _____

Print Name: _____

Position: _____

Date: _____