

To:

**The Company Secretary**  
**WoDS Transmission plc**  
The American Barns  
Banbury Road  
Lighthorne  
Warwickshire  
United Kingdom  
CV35 0AE

**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 WoDS Transmission plc.**

**Whereas:**

1. WoDS Transmission plc, formerly incorporated as WoDS Transmission Limited (a consortium of Macquarie Corporate Holdings Pty Limited, 3i Infrastructure plc and Frontier Power Limited) was announced as the preferred bidder for the West of Duddon Sands project ('the Project') on 9 July 2014.
2. On 29 July 2015 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 19 August 2015. Consequently, WoDS Transmission 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. Paragraph 1 of 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:
  - a. an investment grade issuer credit rating;
  - b. 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
  - c. 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 27 November 2014, the preferred bidder notified the Authority that it requests the Authority's consent under paragraph 1(c) of the Condition, for the Licensee to maintain alternative financial arrangements. The alternative financial arrangement proposed by the preferred bidder is for the Licensee to hold an investment grade instrument credit rating for the fixed rate secured bonds to be issued to the Licensee.
5. The letter of 27 November 2014 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, 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 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 regarding the Authority's position regarding alternative credit rating arrangements dated 13 October 2010<sup>1</sup> and subsequently updated 22 October 2014<sup>2</sup>.

### **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 in the form of an investment grade instrument credit 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 the issuer of the investment grade credit rating 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 be valid until the Licensee publishes its statutory accounts and is able to satisfy the requirements of paragraph 1(b) of the Condition, as stated in the request dated 27 November 2014.

### **Notice of reasons**

10. 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 the Condition.

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**Stephen Beel**

**Associate Partner, Electricity Transmission  
Duly authorised on behalf of the  
Gas and Electricity Markets Authority**

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<sup>1</sup><https://www.ofgem.gov.uk/publications-and-updates/open-letter-regarding-alternative-credit-rating-arrangements-offshore-transmission-owners-oftos>

<sup>2</sup><https://www.ofgem.gov.uk/publications-and-updates/update-our-position-regarding-alternative-credit-rating-arrangements-offshore-transmission-owners-%E2%80%9Cofotos%E2%80%9D>