

The Company Secretary
National Grid Electricity System Operator Limited
(Company Number: 11014226)

Consent given by the Gas and Electricity Markets Authority (the “Authority”) pursuant to paragraph 1 of standard condition B9 (Indebtedness) of the electricity transmission licence held by National Grid Electricity System Operator Limited (the “Licensee”)

This consent has effect from 1 April 2019 being the date that the Licensee is granted a transmission licence in accordance with the Authority’s consent under section 7A of the Electricity Act 1989 (the “Act”) (“Effective Date”) and shall remain in effect until the earlier of: (1) the date on which the last of the System Services (as defined below) are terminated; or (2) the date the Authority decides to revoke or amend the consent in writing upon not less than 28 days’ notice to the Licensee (“Termination Date”).

Whereas:

- A. As at the Effective Date of this consent, the Licensee is the holder of a transmission licence (“the Licence”) granted under section 6(1)(b) of the Act.
- B. On the Effective Date, National Grid Electricity Transmission plc (“NGET”) shall sell its electricity system operator business (the “Business”) to the Licensee (such sale being the “Transaction”);
- C. As part of the Transaction, contracts that relate to certain systems that had previously been owned by NGET and utilised by both the transmission and the system operator businesses of NGET (as summarised in Schedule 1) (the “Systems”), will be novated to the Licensee. To allow NGET to continue to carry out its functions which relate to those Systems, the Licensee shall provide certain services to NGET in respect of such Systems to permit the continued ongoing use of the Systems as required by both parties, including accessing and use of such Systems or receipt of services provided by or through the Systems (“System Services”). These System Services shall be provided on the basis of an arms’ length, commercial terms, general services agreement entered into between the Licensee and NGET. As a consequence of the provision of such System Services and use of such Systems by NGET, any default by NGET in relation to contracts, agreements, arrangements, rights or licences which provide the Licensee and NGET with access to the Systems or which relate to or are utilised in the provision of the System Services, which gives rise to a liability to the Licensee under such contracts to pay or repay any debt or other sum, will give rise to a cross-default obligation.
- D. Pursuant to standard condition B9 of the Licence, the Licensee has requested a consent from the Authority in respect of these potential cross-default obligations.

Reasons for the Authority’s decision to grant conditional consent:

- E. Having had regard to its principal objective and statutory and other duties, the Authority is satisfied that a consent in accordance with paragraph 1 of standard condition B9 would be appropriate in the circumstances on the grounds set out above because:
 - i. From the information provided, it does not appear that such arrangements will prejudice or have any undue impact on existing or future electricity consumers;

- ii. From the information provided, it does not appear that such arrangements would impinge on the Licensee's duty to develop and maintain an efficient and economical transmission system for the conveyance of electricity; and
- iii. From the information provided, the overall intent of standard condition B9 is not compromised.

Now the Authority consents hereby as follows:

1. Subject to paragraph 2 below, the Authority in accordance with paragraph 1 of standard condition B9 (Indebtedness) hereby consents to the Licensee entering into the arrangements described in paragraph (C) of the recitals above.
2. The Licensee shall obtain from NGET a legally enforceable indemnity in favour of the Licensee in respect of any liability that the Licensee may incur as a consequence of the Licensee remaining party to the contracts described in Schedule 1 in accordance with the arrangements described in paragraph (C) of the recitals above.

Notice

This document constitutes notice under section 49A of the Act of the reasons for the Authority's decision to give this consent.

1 April 2019

Grendon Thompson

Head of Electricity SO Regulation

Duly authorised on behalf of the Gas and Electricity Markets Authority

Schedule 1

The Systems

Systems to which the System Services relate are:

- IEMS;
- DATA Historian;
- OLTA Powerfactory;
- Prime; and
- Such other shared systems that may be listed in the NGESO compliance statement from time to time.