

The Company Secretary  
National Grid Electricity Transmission plc  
(Company Number: 2366977)

## **ELECTRICITY TRANSMISSION LICENCE**

**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 granted under section 6(1)(b) of the Electricity Act 1989 (“the Act”) to National Grid Electricity Transmission plc (“the Licensee”)**

**This consent has effect from 1 April 2019 (“Effective Date”) and shall remain in effect until the later of: (1) the completion of the novation of all contracts relating to the sold electricity system operator business; (2) the date on which the last of the Licensee’s obligations under such contracts is discharged; or (3) the date on which the last of the System Services (as defined below) are terminated, unless prior to such 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, the Licensee shall sell its electricity system operator business (the “Business”) to National Grid Electricity System Operator Limited (“NGESO”) (such sale being the “Transaction”);
- C. As part of the Transaction, the Licensee will seek to be released from liability by the counterparty under a significant number of contracts which are in the name of the Licensee and which relate to the Business. The Licensee expects that this release will take the form of a novation of the contract from the Licensee to NGESO. As such novation requires the consent and co-operation of the other entity which is party to the contract in question, this exercise cannot be completed at the time at which the Transaction completes and will take some time to complete given the number of contracts that are involved and in some cases may not be possible if the third party is not willing to co-operate.
- D. NGESO will, as a consequence of the Transaction be responsible for discharging the obligations within the contracts described in Part 1 of Schedule 1 whereas the Licensee will be contractually liable in respect of such contracts. Accordingly, (save to the extent such contracts are novated to NGESO) any default by NGESO in relation to such contracts which gives rise to a liability to the Licensee under the contracts to pay or repay any debt or other sum will give rise to a cross-default obligation.
- E. In addition, as part of the Transaction, contracts that relate to certain systems that had previously been owned by the Licensee and utilised by both the transmission and the system operator businesses of the Licensee (as summarised in Part 2 of Schedule 1) (the “Systems”), will remain in the name of the Licensee. To allow NGESO to continue to carry out its functions which relate to those Systems, the Licensee shall provide certain services to NGESO 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 NGESO. As a consequence of the provision of such System Services and use of such Systems by NGESO, any default by NGESO in relation to contracts, agreements, arrangements, rights or licences which provide the Licensee and NGESO 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.

- F. 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 described in (D) and (E).

**Reasons for the Authority's decision to grant conditional consent:**

- G. 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 remaining a party to the contracts referred to in paragraphs (C) and (D) of the recitals and entering into the arrangements described in paragraph (E) of the recitals will prejudice or have any undue impact on existing or future electricity consumers;
  - ii. From the information provided, it does not appear that remaining a party to these contracts and entering into 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, the Authority in accordance with paragraph 1 of standard condition B9 (Indebtedness) hereby consents to the Licensee remaining party to the contracts described in Schedule 1 in accordance with the arrangements described in paragraphs (C) and (D) of the recitals above and to enter into the arrangements described in paragraph (E) of the recitals in respect of the System Services.
2. The Licensee shall obtain from NGESO 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 paragraphs (C) – (E) 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

### **Part 1 – In respect of the Contracts referred to in paragraphs (C) and (D) of the recitals to this Consent.**

#### **The Contracts**

All contracts, undertakings, arrangements and agreements relating either exclusively to the Business or relating in part to the Business (but then only to the extent of that part) including (without limitation) those relating to:-

- i) the supply to the Licensee of goods and/or services and/or rights of any description; and
- ii) the provision by the Licensee of any goods and/or services of any description except to the extent that they are excluded from the sale of the Business to NGESO.

For the purpose of this Schedule:

“the Business” means the electricity system operator business of the Licensee sold to NGESO on the Effective Date of this consent.

### **Part 2 – In respect of the Systems referred to in paragraph (E) of the recitals to this Consent.**

Systems to which the System Services relate are:

- Optel
- FATE
- LEEMPS