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## Transmission Licence Standard Conditions

We have included the sections of the licence conditions we propose to amend below. Deletions are shown in strike through and new text is underlined.

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## **SECTION A: INTERPRETATION, APPLICATION AND PAYMENTS**

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## SECTION A: INTERPRETATION, APPLICATION AND PAYMENTS

### Condition A1: Definitions and interpretation

1. In the standard conditions unless the context otherwise requires:

Housekeeping Modification Working  
Group

means a working group established for the  
purposes of considering proposed  
Housekeeping Modifications under  
Condition B24.

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## **SECTION B: GENERAL**

### **Condition B10: Credit rating of the licensee and related obligations**

#### **Introduction**

1. The purpose of this condition is to place obligations on the licensee in respect of credit ratings, Published Rating Reports, Negative Rating Actions and Financial Resilience Reports.

#### **Part A: Obligation to maintain an Investment Grade Issuer Credit Rating**

2. The licensee must use reasonable endeavours to maintain an Investment Grade Issuer Credit Rating at all times.

#### **Part B: Obligation to provide Published Rating Reports**

3. Where a Negative Rating Action occurs in respect of the licensee or the licensee's credit rating is withdrawn, it must within a period of ten working days beginning with the date of the relevant Published Rating Report:
  - a) notify the Authority; and
  - b) if permitted by the relevant rating agency, provide the Authority with a copy of the Published Rating Report, or where the Published Rating Report relates to the wider group provide such parts as are relevant to the licensee.

#### **Part C: Obligation to provide Financial Resilience Reports**

4. The licensee must provide the Authority with a Financial Resilience Report within 60 days of 1 April 2021 or the date of a Negative Rating Action relating to the licensee (whichever is later), if:
  - a) the licensee's highest rating held for an Issuer Credit Rating or highest rating held for a Significant Instrument Credit Rating is one notch higher than the lowest Investment Grade and that Issuer Credit Rating or Significant Instrument Credit Rating is on Negative Watch;

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- b) the licensee's Issuer Credit Rating or Significant Instrument Credit Rating is at the lowest Investment Grade or lower; or
  - c) the licensee has a debt covenant linked to a specific Issuer Credit Rating or Significant Instrument Credit Rating that would, if breached by the licensee, trigger an event of default under the relevant debt documents and that rating is either:
    - (i) one notch above the minimum covenant requirement and is on Negative Watch; or
    - (ii) lower than one notch above the minimum rating specified within the covenant requirement.

5. The Financial Resilience Report must include:

- a) an assessment of the licensee's current and forecast financial standing, including an assessment of resilience to downside scenarios relating to either operational performance or macro-economic events;
- b) financial projections for the next three Regulatory Years (including the remainder of the current year) or the remainder of the Price Control Period, whichever is longer; and
- c) details of Potential Mitigating Actions the licensee could take to improve its financial resilience and an indication of whether such actions are planned.

6. The financial projections required by paragraph 5(b) of this condition must include:

- a) a forecast balance sheet;
- b) income statements;
- c) cashflow statements;
- d) key financial metric projections; and

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e) results of any stress tests that the licensee considers to be appropriate.