

Company Secretary
National Grid Electricity Transmission
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*Promoting choice and
value for all customers*

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9 August 2006

Dear Sir,

**CONSENT GIVEN BY THE GAS AND ELECTRICITY MARKETS AUTHORITY UNDER
STANDARD CONDITION B9 OF THE ELECTRICITY TRANSMISSION LICENCE**

**NOTICE OF REASONS UNDER SECTION 49A OF THE ELECTRICITY ACT 1989 FOR
DECISION TO GIVE CONSENT**

On 29 March 2005 National Grid Electricity Transmission plc ("NGET") requested that the Authority's consent be given under paragraph 1(c) of standard condition B9 (Indebtedness) of its electricity transmission licence to allow NGET to enter into an agreement or incur a commitment incorporating a cross-default obligation.

In particular, NGET requested consent to enter into cross-default obligations with National Grid Interconnectors Limited ("NGIL") in respect of the Interconnexion France-Angleterre (IFA). The reasons given by NGET for requesting this consent were as follows.

The Energy Act 2004 will amend the Electricity Act 1989 so that participation in the operation of an electricity interconnector will require a separate licence. The holder of an electricity transmission licence will be prohibited from being the holder of an electricity interconnector licence. In order to comply with these obligations, NGET is proposing to dispose of its interest in the IFA to NGIL which, not being the holder of an electricity transmission licence, will be in a position to be granted an electricity interconnector licence. As a result of NGET disposing of its interest in the IFA to NGIL, a number of cross-default obligations will be created. On this basis, the cross-default obligations are regarded as being created as a consequence of NGET complying with amendments to the Electricity Act 1989.

The cross-default obligations which will be created as result of NGET disposing of its interest in the IFA to NGIL ("the relevant cross-default obligations") are as follows:

- 1 The deeds of grant specified in Table 1 of the Schedule to this document were granted to allow NGET to construct and maintain the IFA cable between Sellindge and Folkestone. The benefit of the deeds of grant will be transferred to NGIL. NGET will remain liable to the grantor(s) for particular actions of default of NGIL under the terms of the deeds of grant.

- 2 The consents specified in Table 2 of the Schedule to this document were granted to allow NGET to construct and maintain the IFA cable between Sellindge and Folkestone. The benefit of the consents will be transferred to NGIL. NGET will remain liable to the consentor(s) for particular actions of default of NGIL under the terms of the consents.
- 3 The freehold land specified in Table 3 of the Schedule to this document will be transferred to NGIL. There are restrictive covenants on this freehold land. NGET will remain liable to the covenantee for any breach of covenant.
- 4 The Secretary of State granted the consents specified Table 4 of the Schedule to this document under section 20 of the Highways Act 1980. The consents allow part of the IFA cable to be laid in a motorway and contain a requirement for NGET to indemnify the Secretary of State against any action resulting from the presence of the cable and associated works. Section 20 of the Highways Act 1980 has been repealed; however NGET may retain some ongoing liability in respect of the indemnity provided to the Secretary of State.

We have given careful consideration to NGET's request for consent to enter into the relevant cross-default obligations with NGIL in respect of the IFA and the reasons given by NGET for requesting this consent.

On the basis that the relevant cross-default obligations will be created as a consequence of NGET complying with amendments to the Electricity Act 1989, we have decided that consent should be granted under paragraph 1(c) of standard condition B9 (Indebtedness) of NGET's electricity transmission licence to allow NGET to enter into the relevant cross-default obligations with NGIL. This consent is granted subject to the following conditions:

- (a) NGET is fully and effectively indemnified by NGIL in relation to any liability that NGET may incur in relation to the relevant cross-default obligations;
- (b) the indemnity provided to NGET by NGIL in respect of the relevant cross-default obligations is secured by a parent company guarantee provided by National Grid Holdings One; and
- (c) National Grid Holdings One has, and agrees to maintain, an investment grade issuer credit rating for so long as the relevant cross-default obligations remain in force.

This consent will only take effect on and from such date as an electricity interconnector licence is granted to NGIL in respect of the IFA.

Yours faithfully



ROBERT HULL
Director – Transmission

Duly Authorised on behalf of the Gas and Electricity Markets Authority

SCHEDULE

Table 1: Deeds of Grant

	Date	Parties
1	2 July 1984	William Dawson (Holdings) Limited The Norwich Union Life Insurance Society Central Electricity Generating Board
2	13 August 1984	Dudley Gordon Holt Central Electricity Generating Board
3	23 November 1984	Gordon Michael Freeman and Heather June Freeman Central Electricity Generating Board (As varied by a Deed of Variation dated 17/2/94 made between the Grantor and National Grid Company plc)
4	17 January 1985	W T Lamb Holdings Limited Central Electricity Generating Board
5	25 April 1985	The Rt Hon Jacob Eighth Earl of Radnor and Others Central Electricity Generating Board
6	25 April 1985	The Rt Hon Jacob Eighth Earl of Radnor and Others Central Electricity Generating Board
7	8 August 1985	The Rt Hon Jacob Eighth Earl of Radnor & Another Central Electricity Generating Board
8	21 August 1985	Lloyds Bank plc Central Electricity Generating Board
9	8 November 1985	The Folkestone and District Water Company Central Electricity Generating Board
10	23 November 1985	Hector Walker and John David Walker and Walkers (Bargrove Farm) Limited Central Electricity Generating Board
11	27 November 1985	Iris Glynn Houchin and Peter Robert Houchin Central Electricity Generating Board
12	31 January 1986	Kirkland Properties Limited Central Electricity Generating Board
13	21 August 1986	Gerald Alan Hardy Central Electricity Generating Board
14	27 November 1987	Margaret Evelyn Whitehead NatWest Central Electricity Generating Board
15	1 December 1988	Maurice William Bucknell, Peter David Smithson and Robert Arthur Sice Central Electricity Generating Board
16	3 December 1990	Gerald Alan Hardy Seeboard plc The National Grid Company plc Weaver Hotels (Kent II) Ltd and Kent II Hotel Corp The British Linen Bank
17	20 May 1991	The District Council of Shepway The National Grid Company plc
18	2 November 2004	Mrs P J Langrishe National Grid Company plc
19	24 November 2004	Mr P S Springett and Ms C A Davis National Grid Company plc
20	30 December 2004	Nora Mary Hope National Grid Company plc
21	30 June 2006	Mrs F J Small and Mr J H Small National Grid Electricity Transmission plc

Table 2: Consents

	Date	Parties
1	25 April 1985	G T Snape Central Electricity Generating Board
2	5 September 1985	I C Whitehead Central Electricity Generating Board
3	9 January 1986	Ian Cubbin Whitehead Central Electricity Generating Board
4	8 September 1988	Stone Farms Limited Central Electricity Generating Board

Table 3: Freehold Land

	Title Number	Location
1	K600057	Land to the south of the M20, Folkestone, Kent
2	K561697	Land on the west side of Stone Street, Stanford, Kent

Table 4: Consents granted under section 20 of the Highways Act 1980

	Date	Location
1	15 April 1983	Drawing No's 70/3303, Sheets 1, 7 & 8
2	20 June 1984	Drawing No's LS1373/1 and LS1372/1