

To:

1. The Company Secretary  
Blue Transmission London Array Limited  
The American Barns  
Banbury Road  
Lighthorne  
Warwick  
Warwickshire  
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 of the Electricity Act 1989 to Blue Transmission London Array Limited**

**Whereas:**

1. Blue Transmission Consortium, a consortium of Barclays Infrastructure Funds Management Limited and Mitsubishi Corporation, was announced as the preferred bidder for the London Array (Phase 1) transmission project (the "**Project**") on 18 September 2012.
2. On 22 August 2013 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 9 September 2013. Consequently, Blue Transmission London Array Limited (the "**Licensee**") is the holder of a transmission licence granted under section 6 of the Electricity Act 1989 (the "**Act**") in respect of the Project (the "**Licence**").
3. Standard condition E11 (*Credit Rating of Licensee*) of the Licence requires the Licensee to use all reasonable endeavours to ensure that it maintains at all times:
  - i. an investment grade issuer credit rating;
  - ii. 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
  - iii. 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 6 December 2012 the preferred bidder notified the Authority that it requests the Authority's consent to alternative financial arrangements, namely an investment grade instrument credit rating for the senior debt in the proposed financial structure.
5. The 6 December 2012 request 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 standard condition E11 and the extent to which the alternative arrangements, an investment grade instrument credit rating for the senior debt in the proposed financial structure, proposed by the Licensee 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 the alternative arrangements proposed by the Licensee will be able to satisfy the policy aims of standard condition E11.

7. The Authority considers that the proposed alternative arrangements are appropriate to the Licensee and provide the Licensee with a proportionate and practical way of achieving the policy aims of standard condition E11. The proposed arrangements are also consistent with our indicative alternative arrangements set out in the open letter dated 13 October 2010<sup>1</sup>.

**The Authority hereby gives consent**

8. The Authority hereby gives consent under paragraphs 1 and 3 of standard condition E11 for the Licensee to maintain the alternative financial arrangement of an investment grade instrument credit rating for the senior debt in the proposed financial structure in accordance with standard condition E11 subject to the following:
  - i. 'Instrument credit rating' is as defined in standard condition A1. For the purposes of this arrangement the senior debt instrument credit rating must be provided by either Fitch Ratings, Standard & Poor, Moody's or otherwise another Authority approved rating agency;
  - ii. 'Investment grade' is as defined in standard condition A1. However, should a higher credit rating be specified by any of these rating agencies as the minimum required to qualify for 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.

**Notice of reasons**

9. This document also constitutes the notice under section 49A of the Act of the reasons for the Authority's decision to give this consent pursuant to standard condition E11.

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**Stephen Beel**  
**Associate Director, Offshore Transmission**

**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**Date: 10 September 2013**

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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>