

**ELECTRICITY ACT 1989
SECTION 6(1)(c)**

ELECTRICITY DISTRIBUTION LICENCE

FOR

UTILITY ASSETS LIMITED

NOTE

The licence holder is subject to the environmental obligations set out in Schedule 9 (Preservation of Amenity and Fisheries) of the Electricity Act 1989

PART I. TERMS OF THE LICENCE

1. This licence, granted under section 6(1)(c) of the Electricity Act 1989 ("the Act"), authorises Utility Assets Limited (a company registered in England and Wales under company number 07255054) ("the licensee") whose registered office is situated at 53 High Street, Cheveley, Newmarket, Suffolk, CD8 9DQ, United Kingdom, to distribute electricity for the purpose of giving a supply to any premises in the specified area in Schedule 1 or enabling a supply to be so given during the period specified in paragraph 3 below, subject to:
 - (a) the standard conditions of electricity distribution licences referred to in Part II below, which shall have effect in the licence subject to such amendments (if any) as are set out in Part III below (together "the conditions");
 - (b) the special conditions, if any, set out in Part IV below ("the special conditions"); and
 - (c) such Schedules hereto, if any, as may be referenced in the conditions, the special conditions or the terms of the licence.
2. This licence is subject to transfer, modification or amendment in accordance with the provisions of the Act, the special conditions or the conditions.
3. This licence shall come into force on 10 March 2011 and unless revoked in accordance with the provisions of Schedule 2 shall continue until determined by not less than 25 years' notice in writing given by the Gas and Electricity Markets Authority ("the Authority") to the licensee, such notice must not be served earlier than a date being 10 years after the licence comes into force.
4. The provisions of section 109(1) of the Act (Service of documents) shall have effect as if set out herein as if for the words "this Act" there were substituted the words "this licence".
5. Without prejudice to sections 11 and 23(1) of the Interpretation Act 1978, Part I to IV inclusive of, and the Schedules to, this licence shall be interpreted and construed in like manner as an Act of Parliament passed after the commencement of the Interpretation Act 1978.
6. References in this licence to a provision of any enactment, where after the date of this licence:
 - (a) the enactment has been replaced or supplemented by another enactment, and
 - (b) such enactment incorporates a corresponding provision in relation to fundamentally the same subject matter,

shall be construed, so far as the context permits, as including a reference to the corresponding provision of that other enactment.

**The Official Seal of the Gas and
Electricity Markets Authority
hereunto affixed is authenticated**

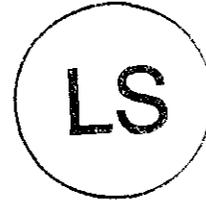
by:-



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Mark Cox

**Authorised in that behalf by the
Gas and Electricity Markets Authority**



10 March 2011

PART II. THE STANDARD CONDITIONS

1. Standard conditions in effect in this licence

Section A	
Standard condition 1	Standard condition 21
Standard condition 2	Standard condition 22
Standard condition 3	Standard condition 22A
Standard condition 4	Standard condition 23
Standard condition 5	Standard condition 24
Standard condition 6	Standard condition 25
Standard condition 7	Standard condition 25A
Standard condition 8	Standard condition 26
Standard condition 9	Standard condition 27
Standard condition 10	Standard condition 28
Standard condition 11	Standard condition 29
Standard condition 12	Standard condition 30
Standard condition 13	Standard condition 31
Standard condition 13A	
Standard condition 13B	
Standard condition 14	
Standard condition 15	
Standard condition 15A	
Standard condition 16	
Standard condition 17	
Standard condition 18	
Standard condition 19	
Standard condition 20	

2. Standard conditions not in effect in this licence

Section B
Standard condition 32
Standard condition 33
Standard condition 34
Standard condition 35
Standard condition 36
Standard condition 37
Standard condition 38
Standard condition 39
Standard condition 40
Standard condition 41
Standard condition 42
Standard condition 43
Standard condition 44
Standard condition 44A
Standard condition 44B
Standard condition 44C
Standard condition 45
Standard condition 45A
Standard condition 46
Standard condition 46A
Standard condition 47
Standard condition 48
Standard condition 49
Standard condition 50
Standard condition 50A

Note: A copy of the standard conditions of electricity distribution licences as determined by the Secretary of State together with subsequent modifications can be inspected at the principal office of the Authority. The above lists are correct at the date of this licence but may be changed by subsequent modifications to the licence.

PART III. AMENDED STANDARD CONDITIONS PARTICULAR TO THIS LICENCE
SECTION BA. SPECIFIC

Amended Standard Condition BA1. Not used

Amended Standard Condition BA2. Regulation of charging arrangements

Introduction

1. The licensee must make, and continue to make, charges available, in accordance with the requirements of this condition, for the provision of Use of System to any Authorised supplier of electricity that uses or wishes to use the licensee's Distribution System to supply electricity to Domestic Customers.

Setting and restriction of charges

2. The licensee's Use of System Charges in relation to Domestic Customers may vary according to the Distribution Services Area of the Electricity Distributor within which Domestic Premises are connected to the licensee's Distribution System.
3. The licensee must set those Use of System Charges so that, except with the Authority's consent, the standing charge, unit rate, and any other component of the charges does not exceed the Use of System Charges to equivalent Domestic Customers ("the equivalent charges").
4. For the purposes of paragraph 3, equivalent charges are the Use of System Charges made by the Electricity Distributor which has a Distribution Services Direction that specifies the Distribution Services Area in which the Domestic Premises connected to the licensee's Distribution System are located.
5. The Authority may give the licensee a direction that specifies which of the Use of System Charges made by the Distribution Services Provider for the Distribution Services Area mentioned in paragraph 4 are relevant for the purposes of determining the equivalent charges.

Procedure for disapplying this condition

6. The charging arrangements set out above will remain in force until such time and in such circumstances as are described in paragraphs 7 to 13.
7. This licensee may ask the Authority to consent to the disapplication of this condition (in whole or in part) by giving it a disapplication request made in accordance with paragraph 8.

8. A disapplication request must:
 - (a) be in Writing addressed to the Authority;
 - (b) specify the paragraph or paragraphs of this condition to which the request relates; and
 - (c) state the date proposed by the licensee (which must not be earlier than the date specified in paragraph 9) on and after which the specified paragraph or paragraphs would no longer have effect ("the disapplication date").
9. Except with the Authority's consent, no disapplication of this condition following its receipt of a disapplication request under paragraph 7 may have effect until whichever is the later of:
 - (a) A date not less than 18 months after delivery of the disapplication request; and
 - (b) 31 March 2011.
10. The licensee may withdraw a disapplication request at any time.

Licensee's right to disapply this condition

11. If the licensee has given the Authority a disapplication request under paragraph 7, it may subsequently give the Authority a Notice that terminates the application of this condition or the part or parts of it specified in the request:
 - (a) in the circumstances described in paragraph 12, with effect from either the disapplication date or such earlier date to which the Authority has given its consent under paragraph 9; or
 - (b) in the circumstances described in paragraph 13, with effect from the disapplication date, so long as the licensee gives Notice within 30 days after the publication of the report mentioned in that paragraph.
12. The circumstances described in this paragraph are these:
 - (a) the Authority has not made a reference to the Competition Commission under section 12 of the Act relating to the modification of this condition as

specified in the disapplication request before the beginning of the period of 12 months which will end with the disapplication date; and

(b) *the licensee has not withdrawn its request.*

13. The circumstances described in this paragraph are these:

(a) the Competition Commission has made a report on a reference made by the Authority relating to the modification of this condition as specified in the licensee's disapplication request; and

(b) the Commission's report does not find that the ending of the charging arrangements in this condition, in whole or in part, would operate or might be expected to operate against the *public interest*.

Standard Condition BA3. Credit Rating of Licensee

Licensee's obligations

1. The licensee must take all appropriate steps within its power to ensure that at all times it maintains an Investment Grade Issuer Credit Rating (which is to be interpreted in accordance with the provisions of paragraph 2 to 4) or such arrangements as the Authority considers appropriate and has approved.

Meaning of Issuer Credit Rating

2. For the purposes of paragraph 1, an Issuer Credit Rating is any of the following:
 - (a) an issuer rating by Standard & Poor's Ratings Group or any of its subsidiaries;
 - (b) an issuer rating by Moody's Investors Service Inc or any of its subsidiaries;
 - (c) an issuer senior unsecured debt rating by Fitch Ratings Ltd or any of its subsidiaries; or
 - (d) a rating which, in the Authority's opinion given by Notice to the licensee, is equivalent to any of those specified in sub-paragraph (a), (b) or (c) and issued by:
 - (i) any of the credit rating agencies referred to in those sub-paragraphs or;
 - (ii) any other reputable credit rating agency which, in the Authority's opinion given by Notice to the licensee, has comparable standing in the United Kingdom and the United States of America.

Meaning of Investment Grade

3. An Investment Grade, in relation to any Issuer Credit Rating within the meaning of paragraph 2, is any of the following:
 - (a) an issuer rating of not less than BBB- by Standard & Poor's Ratings Group or any of its subsidiaries; or

- (b) an issuer rating of not less than Baa3 by Moody's Investors Service Inc or any of its subsidiaries; or
- (c) an issuer senior unsecured debt rating of not less than BBB- by Fitch Ratings Ltd or any of its subsidiaries; or
- (d) a rating which, in the Authority's opinion given by Notice to the licensee, is equivalent to any of those specified in sub-paragraph (a), (b) or (c) and is issued by:
 - (i) any of the credit rating agencies referred to in those sub-paragraphs; or
 - (ii) any other reputable credit rating agency which, in the Authority's opinion given by Notice to the licensee, has comparable standing in both the United Kingdom and the United States of America.

Standard Condition BA4. Indebtedness

General prohibition

1. In addition to complying with the requirements of standard condition 26 (Disposal of Relevant Assets), the licensee must not, without the consent of the Authority following the licensee's disclosure of all material facts, enter into any transaction or commitment of a type described or referred to in this condition that does not comply with the restrictions applicable to it under this condition.

Part A: Restricted Category 1

2. The licensee must not create or continue or permit to remain in effect any mortgage, charge, pledge, lien or other form of security or encumbrance, or undertake any Indebtedness to any other person, or enter into any guarantee or any obligation, except in accordance with all of the following requirements:
 - (a) the transaction in question must be on an arm's length basis;
 - (b) it must be on normal commercial terms;
 - (c) it must be for a Permitted Purpose; and
 - (d) if it is within the ambit of standard condition 26 (Disposal of Relevant Assets), it must comply with the requirements of that condition;

Part B: Restricted Category 2

3. The licensee must not transfer, lease, license or lend any sum or sums, asset, right or benefit to any Affiliate or Related Undertaking of the licensee except by way of any of the following transactions:
 - (a) a dividend or other distribution out of distributable reserves; or
 - (b) repayment of capital; or
 - (c) payment properly due for any goods, services, or assets provided on an arm's length basis and on normal commercial terms; or

- (d) a transfer, lease, licence, or loan of any sum or sums, asset, right or benefit that is on an arm's length basis, on normal commercial terms, and made is in compliance with the payment condition described in paragraph 4; or
 - (e) a repayment of, or payment of interest on, a loan that is not prohibited by paragraph 2; or
 - (f) payments for group corporation tax relief or for the surrender of Advance Corporation Tax calculated on a basis not exceeding the value of the benefit received; or
 - (g) an acquisition of shares or other investments that is in conformity with paragraph 2 and 3 of standard condition 29 (Restriction on Activity and Financial ring-fencing of the Distribution Business) and is made on an arm's length basis and on normal commercial terms.
4. The payment condition referred to in paragraph 3(d) is that the consideration due in respect of the transaction in question must be paid in full when the transaction is entered into unless either:
- (a) the counter-party to the transaction has and maintains until payment is made in full an Investment Grade Issuer Credit Rating, or
 - (b) the obligations of the counter-party to the transaction are fully and unconditionally guaranteed throughout the period during which any part of the consideration remains outstanding by a guarantor which has and maintains an Investment Grade Issuer Credit Rating.
5. The Provisions of this Part B are subject to the provisions of Part C below.

Part C: Circumstances that trigger the provisions of Part D

6. The following paragraphs of this Part C set out each of the circumstances in which the licensee must not, except with the Authority's consent, enter into or complete any transaction of a type described or referred to in Part B except in accordance with the provisions of Part D below.
7. The circumstances described by this paragraph is that the licensee does not hold an Investment Grade Issuer Credit Rating.

8. The circumstance described by this paragraph is that the licensee holds more than one Issuer Credit Rating, and one or more of the ratings so held is not Investment Grade

9. The circumstances described by this paragraph is that the licensee holds any Issuer Credit Rating is BBB- by Standard & Poor's Ratings Group or Fitch Ratings Ltd, or is Baa3 by Moody's Investors Service Inc, or is such higher Issuer Credit Rating as may be specified by any of these credit rating agencies from time to time as the lowest investment Grade credit rating, or is an equivalent rating from another agency that has been notified to the licensee by the Authority as of comparable standing for the purposes of standard condition BA3 (Credit rating of the licensee), and:
 - (a) the rating in question is under review for possible downgrade; or
 - (b) the licensee is on Credit Watch or Rating Watch with a negative designation; or, where neither sub-paragraph (a) nor (b) applies:
 - (c) the licensee's rating outlook, as specified by any credit rating agency referred to in this paragraph 9 which at the relevant time has assigned the lower or lowest Investment Grade Issuer Credit Rating held by the licensee, has been changed from stable or positive to negative.

Part D: Restricted Category 3

10. Where any of the circumstances described or referred to under Part C applies, the licensee may not, without the consent of the Authority following the licensee's disclosure of all material facts, transfer lease, licence, or lend any sum or sums, asset, right, or benefit to any Affiliate or Related Undertaking of the licensee except by way of any of the following transactions:
 - (a) a payment properly due for any goods, services, or assets in relation to commitments entered into before the date on which the relevant circumstances under Part C arose, and which are provided on an arm's length basis and on normal commercial terms;
 - (b) a transfer, lease, licence or loan of any sum or sums, asset, right or benefit on an arm's length basis, on normal commercial terms, and where the value of the consideration due in respect of the transaction in question is payable wholly in cash and is paid in full when the transaction is entered into; or

- (c) a repayment of, or payment of interest on, a loan that is not prohibited by paragraph 2 and which was contracted before the date on which the relevant circumstances under Part C arose, provided that such payment is not made earlier than the original due date for payment in accordance with its terms; or
- (d) payments for group corporation tax relief or for the surrender of Advance Corporation Tax calculated on a basis not exceeding the value of the benefit received, so long as the payments are not made before the date on which the amounts of tax thereby relieved would otherwise have been due.

Part E: Restricted Category 4

- 11. Subject to paragraph 12, the licensee must not:
 - (a) enter into any agreement or incur any commitment that incorporates a Cross-Default Obligation; or
 - (b) continue or permit to remain in effect any agreement or commitment that incorporates a Cross-Default Obligation subsisting at the date on which this condition takes effect in this licence.
- 12. The licensee may permit any Cross-Default Obligation in existence at the date mentioned in paragraph 11(b) to remain in effect for a period of not more than 12 months from that date, so long as:
 - (a) the Cross-Default Obligation is referable solely to an instrument that relates to the provision of a loan or other financial facilities granted before that date; and
 - (b) the terms on which those facilities have been made available as at that date are not varied or made more onerous.
- 13. Nothing in paragraph 11 or 12 prevents the licensee from giving any guarantee that is permitted by the compliant with the requirements of Part A.

Part F: Variation of provision

14. Where the licensee has obtained the Authority's consent to the use of alternative arrangements under paragraph 1 of BA3 (Credit rating of the licensee):
- (a) the provisions of Part C will not apply to the licensee; but
 - (b) if those alternative arrangements are not maintained in accordance with any conditions imposed by the Authority when it gave its consent, the licensee must then not without Authority's consent enter into or complete any transactions of a type described or referred to in paragraph 3 except in accordance with the provisions of Part D.

Part G: Interpretation

15. In this condition:

"Cross-Default Obligation" means a term of any agreement or arrangement under which the licensee's liability to pay or repay any debt or other sum arises or is increased or accelerated, or is capable of arising or increasing or of being accelerated, because of a default (howsoever it may be described or defined) by any person other than the licensee, unless:

- a) that liability can arise only as the result of a default by a Subsidiary of the licensee;
- b) the licensee holds a majority of the voting shares in that Subsidiary and has the right to appoint or remove a majority of its board of directors, and
- c) that Subsidiary carries on business only for a purpose within sub-paragraph (a) or (b) of the definition of Permitted Purpose set out in standard condition 1 (Definitions for standard conditions).

"Investment Grade" has the meaning given in standard condition BA3 (Credit Rating of the Licensee).

“Issuer Credit Rating”

has the meaning given in standard condition
BA3 (Credit Rating of the Licensee).

PART IV. THE SPECIAL CONDITIONS

There are no special conditions.

SCHEDULE 1
SPECIFIED AREA

Great Britain

SCHEDULE 2

REVOCAATION

1. The Authority may at any time revoke the licence by giving no less than 30 days' notice (24 hours' notice, in the case of a revocation under sub-paragraph 1(f)) in writing to the licensee:
 - (a) if the licensee agrees in writing with the Authority that the licence should be revoked;
 - (b) if any amount payable under standard condition 3 (Payments by the licensee to the Authority) is unpaid 30 days after it has become due and remains unpaid for a period of 14 days after the Authority has given the licensee notice that the payment is overdue - provided that no such notice shall be given earlier than the sixteenth day after the day on which the amount payable became due;
 - (c) if the licensee fails;
 - (i) to comply with a final order (within the meaning of section 25 of the Act) or with a provisional order (within the meaning of that section) which has been confirmed under that section and (in either case) such failure is not rectified to the satisfaction of the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27 of the Act could be made questioning the validity of the final or provisional order or before the proceedings relating to any such application are finally determined; or
 - (ii) to pay any financial penalty (within the meaning of section 27A of the Act) by the due date for such payment and such payment is not made to the Authority within three months after the Authority has given notice in writing of such failure to the licensee - provided that no such notice shall be given by the Authority before the expiration of the period within which an application under section 27E of the Act could be made questioning the validity or effect of the financial penalty or before the proceedings relating to any such application are finally determined;
 - (d) if the licensee fails to comply with an order made by the court under section 34 of the Competition Act 1998;
 - (i) an order made by the court under section 34 of the Competition Act 1998;

- (ii) an order made by the Authority under Sections 158 or 160 of the Enterprise Act 2002
 - (iii) an order made by the Competition Commission under Sections 76, 81, 83, 84 and 161 of the Enterprise Act 2002
 - (iv) an order made by the Secretary of State under Sections 66, 147, 160 or 161 of the Enterprise Act 2002.
 - (e) if the licensee:
 - (i) has ceased to carry on the distribution business; or
 - (ii) has not commenced carrying on the distribution business within 3 years of the date on which the licence comes into force;
 - (f) if the licensee:
 - (i) is unable to pay its debts (within the meaning of section 123(1) or (2) of the Insolvency Act 1986, but subject to paragraphs 2 and 3 of this schedule) or has any voluntary arrangement proposed in relation to it under section 1 of that Act or enters into any scheme of arrangement (other than for the purpose of reconstruction or amalgamation upon terms and within such period as may previously have been approved in writing by the Authority);
 - (ii) has a receiver (which expression shall include an administrative receiver within the meaning of section 251 of the Insolvency Act 1986) of the whole or any material part of its assets or undertaking appointed;
 - (iii) has an administration order under section 8 of the Insolvency Act 1986 made in relation to it;
 - (iv) passes any resolution for winding-up other than a resolution previously approved in writing by the Authority; or
 - (v) becomes subject to an order for winding-up by a court of competent jurisdiction; or
2. For the purposes of sub-paragraph 1(f)(i), section 123(1)(a) of the Insolvency Act 1986 shall have effect as if for "£750" there was substituted "£100,000" or such higher figure as the Authority may from time to time determine by notice in writing to the licensee.
3. The licensee shall not be deemed to be unable to pay its debts for the purposes of sub-paragraph 1(f)(i) if any such demand as is mentioned in section 123(1)(a) of the Insolvency Act 1986 is being contested in good faith by the licensee with recourse to all appropriate measures and procedures or if any such demand is satisfied before the expiration of such period as may be stated in any notice given by the Authority under paragraph 1.

4. The Authority may at any time revoke the licence by giving no less than 7 days notice in writing to the Licensee where the Authority is satisfied that there has been a material misstatement (of fact) by, or on behalf of the Licensee, in making its application for the Licence.