

CROSS SECTOR	
REFERENCE NUMBER:	CATEGORY: Amendment
LICENCE CONDITION NUMBER: <i>(if relevant):</i>	SLC B10 SSC A38
TITLE:	Credit rating of the licensee and resulting obligations
RELEVANT LICENCE CONSULTATION QUESTIONS <i>(if any):</i>	
RELEVANT ISSUES LOG:	
POLICY ISSUES	
<ul style="list-style-type: none"> SLC 1.1.2 / SSC A38.2 SLC 1.1.3 / SSC A38.3 SLC 1.1.3 / SSC A38.3 SLC 1.1.8 / SSC A38.8 	<ul style="list-style-type: none"> In SLC 1.1.2 / SSC A38.2 - We refer to our response to Q1 of the RIIO-2 Informal Licence Drafting Consultation and our view on the use of "best endeavours". This wording represents a change from "all reasonable endeavours"/"all appropriate steps" in the corresponding condition in the current RIIO-1 licence. We appreciate Ofgem's desire to achieve consistent language across the licences but consider the implications of moving from a reasonable/appropriate to best endeavours obligation have not been fully considered given this is a substantive change to the meaning of the condition. In line with other instances in the licence drafting, we urge Ofgem to conduct a review of these changed obligations in order to fully explain the reasoning for the change of approach in relation to RIIO-2 obligations. National Grid is rated by three credit rating agencies, namely Moody's, Standard and Poor's (S&P) and Fitch. Whilst Moody's and Fitch both publish individual NGET and NGG reports, S&P does not and only publishes a single report for the National Grid group. Our understanding is that the S&P reports will not fall within the scope of the obligation. Access to rating reports is subject to subscription rights for all three of the above agencies and restrictions apply to how such publications shall be shared externally. As such we need to be clear on the proposal here and we request further engagement with Ofgem on what is proposed to be shared and what we will be able to provide. As noted below the current drafting is not sufficiently clear. In SpC 1.1.8 and SSC A38.8, generally across the licence, Ofgem is putting in place a consultation provision before issuing a direction. Please can Ofgem confirm the rationale for not including that provision here.

DRAFTING ISSUES	
<ul style="list-style-type: none"> • SLC 1.1.3 / SSC A38.3 • SLC 1.1.4 – SLC 1.1.6 / SSC A38.4-38.6 • SpC 1.1.4 and 1.1.8 • SpC 1.1.8 • General 	<ul style="list-style-type: none"> • In SLC 1.1.3 / SSC A38.3: <ul style="list-style-type: none"> ○ Ofgem proposes a period of five working days to submit a Published Rating Report. We note that five is in square brackets. This is a very short timescale and places undue risk on the licensee. We therefore propose amendment to extend this time period to ten working days, which would still involve prompt disclosure. ○ The inclusion of the words '<i>where possible</i>' is too ambiguous to be included as a licence obligation. As noted above, we request further engagement with Ofgem on what is proposed and what we will be able to provide. • In SLC 1.1.4-1.1.6 / SSC A38.4-38.6, there is a lack of clarity as to whether the Negative Rating Action (in SLC 1.1.4 / SSC A38.4) is the same event as referred to in the following paragraphs or a different event. Taking the ET licence, If the intention is that the Negative Rating Action referred to in SLC 1.1.4 is what is referred to in SLC 1.1.5-1.1.6, we suggest changing SLC 1.1.4 to "<i>...If paragraph 5 or 6 applies, the licensee must provide the Authority with a Financial Resilience Report during the period of [60] days beginning with the date of the Negative Rating Action referred to in paragraph 5 or 6 (as the case may be)</i>". <p><u>Comments specific to NGET licence</u></p> <ul style="list-style-type: none"> • In SLC 1.1.4 and 1.1.8 - The words "of this condition..." are unnecessary given the standard rules of interpretation and can be removed. • In SLC 1.1.8 sub-paragraph (f) is not added to the list and is missing a full stop. • The numbering of the condition needs to be reviewed.
FINANCE ISSUES	
SUPPORTING INFORMATION	
OFGEM ENGAGEMENT:	