

12 April 2007

Ms Hazel Walker
Group Company Secretary
Network Rail Infrastructure Limited
40 Melton Street
London
NW1 2EE

Dear Hazel

**Network Rail Infrastructure Limited's Network Licence Condition 12 "Ring-fencing":
Financial indebtedness consent.**

1. ORR's statutory consultation notice dated 23 February 2007 ('the Notice') proposed to make modifications to the network licence granted by the Secretary of State for Transport on 31 March 1994 to take account, in particular, of the changes made by the Railways Act 2005.
2. For Condition 12, one of the modifications we proposed was that we would remove the exemption that any indebtedness to the Strategic Rail Authority ('the SRA') does not require the consent of ORR. We also indicated that, at the time of making such modifications, we would consent to arrangements that we are aware of where Network Rail had entered into arrangements with the SRA in reliance upon this exemption.
3. We will also review Network Rail's financial ring-fence and other appropriate parts of the licence, as part of PR08. This will include a review of Condition 12 and, if relevant, making modifications to the licence in relation to Network Rail raising unsupported debt.
4. In order that the modifications to Network Rail's licence proposed in the Notice should not place Network Rail in breach of its modified licence, for arrangements it has already entered into in accordance with its present licence; I hereby consent on behalf of ORR, for the purposes of Condition 12:
 - (a) to indebtedness incurred by Network Rail that has arisen or may arise under or by virtue of arrangements already entered into with the SRA, including, but without limitation, in relation to:
 - (i) the £4 billion loan facility commonly known as the 'Tranche A' facility entered into with the SRA on 3 October 2002 and any modifications to that facility

entered into with the SRA prior to the SRA ceasing to exist on 1 December 2006;

- (ii) the financial indemnity, in respect of debt issued and to be issued under Network Rail's debt issuance programme, entered into with the SRA on 29 October 2004 and any modifications to that arrangement entered into with the SRA prior to the SRA ceasing to exist on 1 December 2006; and
- (iii) support arrangements for Network Rail Finance PLC's medium term notes programme entered into with the SRA on 26 February 2004 and any modifications to those arrangements entered into with the SRA prior to the SRA ceasing to exist on 1 December 2006,

(b) to indebtedness incurred by Network Rail that has arisen or may arise under or by virtue of the clawback arrangements already entered into prior to the date of this letter with British Railways Board, the benefit being transferred subsequently to the SRA, in relation to the acquisition by Railtrack PLC from the British Railways Board under conveyances or transfers dated 9 January 1998 of:

- land and buildings off St. Andrews Road, Malvern Wells, in the county of Hereford and Worcester;
- land at and adjacent to the former railway goods yard, Evesham, in the county of Hereford and Worcester;
- land at Station Road, Finedon, in the county of Northamptonshire; and
- land at Marsh Gibbon, in the county of Buckinghamshire.

5. For the avoidance of doubt, this consent does not cover any renegotiation or modification after the date of this letter, of any agreements originally entered into with the SRA.

6. In this consent, unless the context otherwise require, terms and expressions defined and construed in the network licence shall have the same meaning and construction.

Yours sincerely

A large black rectangular box redacting the signature of Michael Lee.

Michael Lee