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Date: 19 October 2022

DIRECTION UNDER PARAGRAPH 9 OF AMENDED STANDARD CONDITION E12-J4 OF THE OFFSHORE TRANSMISSION LICENCE

Whereas:-

1. Gwynt-y-Môr OFTO plc (the **Licensee**) is the holder of an offshore transmission licence (the **Licence**) granted under section 6(1)(b) of the Electricity Act 1989 (the **Act**).
2. The Licensee considers that the Transmission Service Reductions on the Licensee's Transmission System between 10 December 2020 and 26 April 2021 were caused by an Exceptional Event;
3. The Licensee notified the Gas and Electricity Markets Authority (the **Authority**) of the event which resulted in the Transmission Service Reduction within 14 days of its occurrence;
4. The Licensee has provided details of the reduction in system availability that the Licensee considers resulted from the Exceptional Event and further information required by the Authority in relation to the event; and
5. The Authority gave the required notice in accordance with Paragraph 11 of the Condition to the Licensee on 16 August 2022 (the **Notice**).
6. The Licensee submitted representations in response to the Notice to the Authority on 9 September 2022.
7. We have considered the Representations carefully. However, for the reasons set out in the Annex to this direction, we do not consider that the Event constitutes an Exceptional Event; and
8. Accordingly, the Authority directs that there will be no adjustments in respect of the Event for the purposes of paragraph 9(d) of Amended Standard Condition E12-J4 of the Licence.
9. This Direction constitutes notice pursuant to section 49A(1)(c) of the Act.

Yours sincerely,

Yvonne Naughton
Head of the OFTO Licensing and Compliance, Networks

Duly authorised by the Authority

**REASONS FOR REJECTION OF AN EXCEPTIONAL EVENT CLAIM SUBMITTED BY
GWYNT-Y-MÔR OFTO Plc UNDER PARAGRAPH 9 OF AMENDED STANDARD
CONDITION E12-J4**

1 Notification

- 1.1 Gwynt-y-Môr OFTO plc (the **Licensee**) submitted a claim for an Exceptional Event on 12 October 2021, for a series of planned outages reducing availability of the Licensee's transmission system undertaken between 10 December 2020 and 26 April 2021. The planned outages were to conduct investigations, top up SF6 gas and to carry out the permanent repair to address the SF6 gas leak identified at the 132kV switchgear pipework joint on the GT8 transformer located on the offshore platform OSPW.
- 1.2 The Licensee notified us of each planned outage within the 14-day period required under its offshore transmission licence (the **Licence**).

2 Exceptional Event requirements

- 2.1 Paragraph 9 of Amended Standard Condition E12-J4 (the **Condition**) provides that the Authority shall adjust the value of the reported system incentive performance to offset the impact of an Exceptional Event where:
- (a) the licensee considers that any event on the licensee's transmission system that causes a transmission service reduction has been wholly or partially caused by an exceptional event;
 - (b) the licensee has notified the Authority of such an event within 14 days of its occurrence;
 - (c) the licensee has provided details of the reduction in system availability that the licensee considers resulted from the exceptional event (including the anticipated duration of any reduction in availability) and such further information, if any, as the Authority may require in relation to such an exceptional event; and
 - (d) the Authority is satisfied that the event notified to it under sub-paragraph (b) is an exceptional event
- 2.2 An Exceptional Event is defined in Amended Standard Condition E12-J1 of the offshore transmission licence as follows:

"...an Event or circumstance that is beyond the reasonable control of the licensee and which results in or causes a Transmission Service Reduction and includes (without limitation) an act of God, an act of the public enemy, war declared or undeclared, threat of war, terrorist act, blockade, revolution, riot, insurrection, civil commotion, public demonstration, sabotage, act of vandalism, fire (not related to weather), governmental restraint, Act of Parliament, other legislation, bye law or directive (not being any order, regulation or direction under section 32, 33, 34 and 35 of the Act) or decision of a Court of competent authority or any other body having jurisdiction over the activities of the licensee provided that lack of funds shall not be interpreted as a cause beyond the reasonable control of the licensee. For the avoidance of doubt, weather conditions which are reasonably expected to occur at the location of the event or circumstance are not considered to be beyond the reasonable control of the licensee."

3 Decision

- 3.1 The Licensee has acted in accordance with the requirements of subparagraphs 9(a) to (c) of the Condition. However, pursuant to subparagraph 9(d) of the Condition, the Authority is not satisfied that the transmission service reductions were caused by an Exceptional Event, for the reasons set out below.

4 Reasons for decision

- 4.1 The Authority has considered the information provided by the Licensee against both the Licence and the open letter dated 22 October 2014 (the **Open Letter**).
- 4.2 The Licensee neglects to say what it considers to be the root cause of the event within the claim, only that it considers that the SF6 gas leak cannot be considered as 'wear and tear' as the asset has been maintained in accordance with the Original Equipment Manufacturer (the **OEM**) instructions and there is no typical failure rate for this flange. The Licensee assumed the cause of the event occurred before the asset were transferred to the Licensee (i.e. pre asset transfer).
- 4.3 The independent technical report carried out by RINA Tech (UK) Limited (**RINA**) identified differing levels of corrosion on the fasteners potentially indicating a difference in the level to which they were torqued and a lack of paint on some of the fastener heads suggesting that they were not all from the original installation. RINA determined "the root cause of the leak was a combination of factors associated with the joint design, variability in the joint assembly and inadequate corrosion resistance, due to either the material selected for use in the equipment or the protection/coating methods used."
- 4.4 The RINA report failed to reach any conclusions as to the definitive cause of the SF6 gas leak or when this would have occurred. It is unknown whether the issue arose when the asset was first installed or at a later date. Our internal technical advisers considered the findings of the RINA report and noted that poor equipment maintenance was never considered.
- 4.5 We raised an information request with the Licensee to seek an explanation for the RINA findings. The Licensee confirmed that "it has not carried out any intervention or maintenance on this equipment." However, it also confirmed that "there are no records that would confirm that any maintenance occurred prior to the Licensee taking over the asset in 2015."
- 4.6 The information request also included a set of questions raised in the RINA report for the OEM on the methods used to assemble the original joint. The Licensee advised that they failed to get any response from the OEM.
- 4.7 As a result, it is difficult to say with absolute certainty that the root cause of the SF6 gas leak was most likely caused pre-asset transfer, as the Licensee has claimed.
- 4.8 In addition, we also considered the representations made by the Licensee on the 9 September 2022 however they failed to provide any new information which would change the Authority's decision.
- 4.9 Given this, we are not satisfied that the root cause of the event occurred prior to asset transfer and we are therefore not satisfied that the event was beyond the reasonable control of the Licensee as required to satisfy the definition of Exceptional Event in the Licence.
- 4.10 We therefore consider that due to a lack of conclusive evidence this claim does not constitute an Exceptional Event within the terms of the Licence and Open Letter.

Where there is no Exceptional Event, we have no discretion to make any adjustment pursuant to the Condition.