

Simon Fennell
TC Beatrice OFTO Limited
Amber Infrastructure Limited
3 More Riverside
London
SE1 2AQ

Direct Dial: 0141 331 6006
Email: yvonne.naughton@ofgem.gov.uk

Date: 24 May 2024

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

Whereas:

1. TC Beatrice OFTO Limited (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. Unless otherwise defined, capitalised terms in this Direction and its Annex shall have the same meaning given to them in the Licence.
3. In accordance with Paragraph 9 of the Amended Standard Condition E12-J4 (the **Condition**):
 - a. the Licensee considers that the Transmission Service Reduction on the Licensee's Transmission System, commencing and ending on 26 November 2021 was caused by an Exceptional Event;
 - b. 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;
 - c. 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
 - d. the Authority is satisfied, for the reasons specified in the Annex to this Direction, that the event notified under sub-paragraph (b) above constitutes an Exceptional Event as defined in Amended Standard Condition E12-A1.
4. In accordance with Paragraph 10 of the Condition, the Authority is satisfied, for the reasons specified in the Annex to this Direction, that the Licensee took steps, consistent with Good Industry Practice, to manage the impact of the event on the availability of services (both in anticipation of the event and after the event had occurred).
5. The Authority gave the required notice in accordance with Paragraph 11 of the Condition to the Licensee on 2 April 2024 (the **Notice**).

The Office of Gas and Electricity Markets

10 South Colonnade, Canary Wharf, London, E14 4PU Tel 020 7901 7000

www.ofgem.gov.uk

6. The Licensee made representations on 15 April 2024 in response to the Notice. The licensee suggested that the following updates could be made to paragraph 4.3 of the Annex to this Direction "*...led to the loss of auxiliary supplies and the subsequent loss of both SVCs ~~SVCs~~ and SGT Tap changers supplies; after which both export circuits tripped on overvoltage protection ~~failed, tripping the export cables~~ (the **Cable Failure**)."*

We consider these representations do not have a material impact on our draft decisions and have improved the wording referenced.

Now therefore:

7. The Authority directs that the Licensee's reported system incentive performance be adjusted to offset the full duration of the outage: reported system incentive performance for incentive year 1 (beginning 1 January 2021) will be increased by a total of 3979 MWh to fully offset the impact of this event.
8. This Direction constitutes notice pursuant to section 49A(1)(c) of the Act.

Yours sincerely,



Yvonne Naughton
Head of OFTO Licensing, Networks

Duly authorised by the Authority

ANNEX

REASONS FOR ACCEPTANCE OF AN EXCEPTIONAL EVENT CLAIM SUBMITTED BY TC BEATRICE OFTO LIMITED UNDER PARAGRAPH 9 OF AMENDED STANDARD CONDITION E12-J4

1 Notification

- 1.1 On 8 December 2021, the Licensee notified the Authority that there had been a Transmission Service Reduction on both of its export cables. The Transmission Service Reduction took place on 26 November 2021.
- 1.2 The Licensee submitted an Exceptional Event claim to the Authority on 3 October 2023.

2 Exceptional Event requirements

- 2.1. Paragraph 9 of the Condition provides that the Authority shall adjust the value of the monthly capacity weighted unavailability to offset the impact of an Exceptional Event where:
- a) the licensee considers that an event on its 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 that a possible Exceptional Event had occurred, within 14 days of its occurrence;
 - c) the licensee has provided such information as the Authority may require in relation to the event; and
 - d) the Authority is satisfied that the notified event is an Exceptional Event.
- 2.2. An Exceptional Event is defined in Amended Standard Condition E12-A1 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, any 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. Pursuant to subparagraph 9(d) of the Condition, the Authority is satisfied that the Transmission Service Reduction was 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, including any representations provided, against both the conditions of the Licence and having regard to the general approach on the evaluation of Exceptional Events set out in the open letter of 22 October 2022, updated in January 2024 (the **Open Letters**)¹.
- 4.2 In accordance with Paragraph 10 of the Condition, the adjustment to reported system incentive performance shall be based on the extent to which the Authority is satisfied that the Licensee had taken steps, consistent with Good Industry Practice, to manage the impact of the event on the availability of services (both in anticipation of the event and after the event has occurred).
- 4.3 Storm Arwen caused multiple onshore transmission system faults (onshore LVAC board failed to auto changeover to DNO supply) on 26 November 2021. The storm, combined with a known issue inherited by the Licensee when the offshore transmission assets were transferred to it by the generator/developer, being the fundamentally deficient design of the substation auxiliary supplies, which was identified during the technical due diligence performed by Gutteridge Haskins & Davey (**GHD**) in 2020/2021, led to the loss of auxiliary supplies and the subsequent loss of both SVCs and SGT Tap changer supplies; after which overvoltage protection kicked in and resulted in both export cable circuits tripping (**the Cable Failure**).
- 4.4 The Licensee repaired the Cable Failure and restored transmission services capacity, on 26 November 2021 at 23:46.
- 4.5 As part of our consideration whether to award an Exceptional Event for the period for 26 November 2021 at 16:53 to 26 November 2021 at 23:46, we considered the severity of storm Arwen. Condition E12-A1 of the Licence provides that “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”. However, it was not the storm in itself that led to the event but rather the combination of events set out above.
- 4.6 The Licensee submitted a technical report produced by GHD (the **GHD report**) supporting their position regarding the cause of the failure event. With support of our technical advisors, we established that this transmission service reduction event was partially caused by the fundamentally deficient design of the substation auxiliary supplies which was identified during the technical due diligence performed by GHD in 2020/2021.

Did the Licensee follow Good Industry Practice to manage the impact of the event and restore transmission services to full capacity?

¹ [Link to Open letter](#) on the Authority’s approach towards exceptional events for offshore transmission owners and [the Update to the open letter on the Authority’s approach towards Exceptional Events for offshore transmission owners](#)

- 4.7 We also considered whether the Licensee followed Good Industry Practice warranting an adjustment to reported system incentive performance in the way in which they (i) managed the design issues of the system that were known to the OFTO pre-asset transfer (auxiliary supply problems/overvoltage), (ii) implemented the remediation plan, and (iii) restored the asset after the outage occurred.
- 4.8 We accept that the Licensee could not have reasonably been expected to have completed all remedial works, as agreed in the mitigation plan on the transmission system prior to the storm occurring, which would have avoided an outage and addressed the known design issues on the OFTO system.
- 4.9 Therefore, based on the information provided by the Licensee, we consider that the combination of the onshore grid disturbance and the storm conditions at the time, resulting in the onshore LVAC system going into fault and causing a chain of events (due to a pre-existing design issue) constituted an Exceptional Event, leading to both circuits tripping off. The mitigation plan was to be carried out over 23 months, starting in August 2021 and ending in June 2023.
- 4.10 We consider that the Licensee acted promptly and in accordance with Good Industry Practice to manage the impact of the event and restore transmission services to full capacity. We take note of the delay in restoration, as site attendance was required, which was extended from the normal 90-minute journey to 4.5h due to fallen trees, snow and blocked roads.
- 4.11 Transmission services were fully restored on 26 November 2021.

5 Authority's adjustment to the reported system incentive performance under Paragraph 10 of Amended Standard Condition E12-J4

- 5.1 In accordance with Paragraph 10 of the Condition, the adjustment to reported system incentive performance shall be based on the extent to which the Authority is satisfied that the Licensee had taken steps, consistent with Good Industry Practice, to manage the impact of the event on the availability of services (both in anticipation of the event and after the event has occurred). The Authority has considered whether the Licensee has taken steps in accordance with Good Industry Practice to manage the impact of the event, and is satisfied that the Licensee acted in accordance with Good Industry Practice.
- 5.2 Therefore, the Authority directs that the Licensee's reported system incentive performance be adjusted to offset the full duration of the Transmission Service Reduction: 3,979 MWh reported system incentive performance for incentive year 1 (1 January 2021 to 31 December 2021), as follows:
- 26 September 2021 – 3979 MWh