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Date: 19 November 2024

DIRECTION UNDER PARAGRAPH 10 OF AMENDED STANDARD CONDITION E12-J4 OF THE OFFSHORE TRANSMISSION LICENCE

Whereas:-

1. Greater Gabbard 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. 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 10 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 on 22 February 2023 and ending on 3 April 2023 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-J1.
4. In accordance with Paragraph 11 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 12 of the Condition to the Licensee on 16 October 2024 (the **Notice**).
6. No representations were made by the Licensee in response to the Notice.

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 11 (1 January 2023 to 31 December 2023) will be increased by a 160,143 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 the OFTO Licensing & Compliance

Duly authorised by the Authority

ANNEX

REASONS FOR ACCEPTANCE OF AN EXCEPTIONAL EVENT CLAIM SUBMITTED BY GREATER GABBARD OFTO PLC UNDER PARAGRAPH 10 OF AMENDED STANDARD CONDITION E12-J4

1 Notification

- 1.1 On 23 February 2023 Greater Gabbard OFTO plc (the **Licensee**) notified the Authority that there had been a Transmission Service Reduction on one of its export cables. The Transmission Service Reduction ran from 22 February 2023 to 3 April 2023 (the **Failure Event**).
- 1.2 The Licensee submitted an exceptional event claim to the Authority on 4 August 2023.

2 Exceptional Event requirements

- 2.1. Paragraph 10 of Amended Standard Condition E12-J4 (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-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, 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 10(a) to (c) of the Condition. Pursuant to subparagraph 10(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 against both the Licence and the open letter dated 4 January 2024 (the **Open Letter**).
- 4.2 Initial investigations, conducted by the Licensee's O&M contractor, revealed that the Diverter Switch Insert Unit (**DSI**) on Grid Transformer 3 (**GT3**), which is an integral component of the On Load Tap Changer (**OLTC**) was damaged beyond repair and that this damage was the most likely cause of the unplanned outage.
- 4.3 The Licensee has stated that detailed due diligence was completed on the asset prior to asset transfer and no issues regarding the health of the transformers was flagged during this process.
- 4.4 We also acknowledge that the Licensee has inspected and maintained the equipment in line with the manufacturers recommendations.
- 4.5 The Licensee confirmed that as a precautionary measure, after the fault occurred on GT3, further testing and monitoring on the two remaining transformers (**GT1 & GT2**) was conducted. This included Dissolved Gas Analysis on the Diverter Insert Chambers in GT1 and GT2.
- 4.6 On 9 October 2024, the Licensee submitted Root Cause Analysis that identified loose bolts on the DSI in GT1 (the **GT1 RCA**). The loose bolts and damage on GT1 were of a very similar nature to what was previously found on GT3.
- 4.7 The information provided relating to the fault on GT3 alongside the GT1 RCA report demonstrated to our satisfaction that the cause was inherent in more than one asset, and we consider this is a reasonable conclusion that supports the likelihood that the root cause of the Failure Event was a latent defect rather than wear and tear.
- 4.8 For the above reasons, the Failure Event constitutes an exceptional event as defined in Amended Standard Condition E12-J1. Accordingly, the Authority is satisfied for the purposes of paragraph 10(d) of the Condition that the Failure Event was an exceptional event.

5 Authority's adjustment to the reported system incentive performance under Paragraph 11 of Amended Standard Condition E12-J4

- 5.1 In accordance with Paragraph 11 of the Condition, the adjustment to the 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 is satisfied that the Licensee has 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:

- 160,143 MWh reported system incentive performance for incentive year 11 (1

January 2023 to 31 December 2023).