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for energy consumers

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Date: 6 December 2024

**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 Reduction on the Licensee's Transmission System between 3 and 7 July 2023 was caused by an exceptional event;
3. The Licensee notified the Gas and Electricity Markets Authority (the **Authority**) of the event 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
5. The Authority gave the required notice in accordance with Paragraph 11 of Amended Standard Condition E12-J4 to the Licensee on 15 December 2023 (the **Notice**).
6. The Licensee submitted representations on 22 January 2024.
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 adjustment 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 OFTO Licencing and Compliance**  
**Duly authorised by the Authority**

## ANNEX

### 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 7 July 2023 for a planned outage reducing availability of the Licensee's transmission system between 3 and 7 July 2023. The planned outage was to address an oil leak resulting from a defect in the seal on Supergrid Transformer 2 (**SGT2**) at the St Asaph onshore substation.
- 1.2 The Licensee notified us of the 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 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, 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 reduction was caused by an exceptional event, for the reasons set out below.

## 4 Reasons for decision

4.1 The Authority has considered the claim provided by the Licensee against the conditions of the Licence and having regard to the general approach on the evaluation of Exceptional Events set out in the open letter dated 22 October 2014 (the **Open Letter**).<sup>1</sup>

4.2 An Exceptional Event is defined in Amended Standard Condition E12-J1 of the Licence as *"an event or circumstance that is beyond the reasonable control of the Licensee"*.

4.3 We do not consider this Event to have been beyond the reasonable control of the Licensee and therefore do not consider it to constitute an Exceptional Event.

### *1) The assumption of normal operational risk*

4.4 The Licensee considers, as *"determined conclusively by the repair contractor"* that the cause of the oil leak was due to the seals on the Tertiary CT bushings being badly perished.

4.5 The Licensee states that:

- i. *"the transformer has been designed not to require any routine intrusive inspections of the current transformer (CT) chamber as this would require an outage of the transmission network"*.
- ii. The Licensee states *"the failure of a seal cannot be considered as 'wear and tear' for the following reasons:"*
  - a) *"The transformer has been maintained in accordance with OEM instructions."*;
  - b) *"There is no typical failure rate of seals within similar SGTs."*; and
  - c) *"There is no way of checking the condition of the seal when the transformer is in service."*
- iii. *"the fact that the seal had failed prematurely in service strongly suggests that the root cause could be a defect in the seal that could not have been detected without removing the CT chamber cover plate."*
- iv. *"it is reasonable to expect that a 400/132kv Supergrid Transformer provided by a reputable OEM such as Siemens should operate free from defects for at least 20 years."*

4.6 We consider that, transformer oil leaks can be reasonably expected to occur when operating assets under normal conditions. In the absence of clear evidence showing any 'exceptional' cause, it is more likely than not that the failure of the seal was the product of the assets failing during the course of their normal operation. The possibility of there being a fault or failure of a seal is a type of risk that is foreseeable and in respect of which Licensees are expected to plan and put in place contingency arrangements.

4.7 A mere fault or failure of apparatus is not listed in the definition of an exceptional event as an example of an event which is to be treated as "beyond the reasonable control of the licensee". It is also not an event which is commensurate with the examples of such events listed in the definition.

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<sup>1</sup> [Open letter on the Authority's approach towards exceptional events for offshore transmission owners | Ofgem](#)

- 4.8 Even if the specific fault is not foreseeable, the type of risk is foreseeable. The fact that such assets may be the subject of occasional failure is part and parcel of that normal operational risk and is not an event properly to be considered “exceptional” in the life of those assets. While a licensee is unlikely to know exactly how or when its assets may fail, it is reasonable for a licensee to anticipate the risk of asset failure.
- 4.9 Ofgem must be satisfied on the basis of the available evidence that an event was exceptional. An event or circumstance that was not expected by a Licensee is not in itself an event or circumstance that is exceptional. Categories of risk may be reasonably foreseeable, even if the specific fault was not expected.
- 4.10 Where the event is one which can reasonably be expected to occur in the course of operating the assets under normal conditions, it is irrelevant whether or not the specific fault was foreseen by the licensee. The condition of a licensee’s assets under normal conditions is considered to be within its reasonable control from the point of asset transfer. It is and always has been the clear policy intent of the offshore regime that, at licence grant, the licensee assumes normal operational risk of the transferred assets.

## 2) OFTO representations

- 4.11 We have considered the Licensee’s representation, received on 22 January 2024. They do not change our minded-to-decision as outlined in the Notice shared with the Licensee on 15 December 2023 (the **Notice**).
- 4.12 In its representation the Licensee questioned the reason why this decision differed from the decision, dated 1 October 2021 (the **October 2021 decision**) which was a failure of a rubber seal on Supergrid Transformer 1 (**SGT1**), which the Licensee believes was “*practically identical*”.<sup>2</sup> The Licensee asked that we reconsider our minded-to-decision set out in the Notice.
- 4.13 Reviewing the October 2021 decision, it was clear that the Authority was satisfied that the root cause of the failure in the October 2021 decision was a latent or manufacturing defect due to the level of degradation of the rubber seal which the Authority was satisfied had occurred pre asset transfer.
- 4.14 The level of degradation with this claim is significantly less and we do not have any evidence that demonstrates that the root cause of the failure occurred before asset transfer on this occasion. In addition, and in the claim submitted on 7 August 2023, the Licensee states “*There are no reports of a similar leak from the Tertiary winding CT bushings on similar transformers. No such leak has been observed on SGT1 or the spare transformer, SGT3, at the Gwynt-y-Môr onshore substation*” (SGT1 being the subject of the October 2021 decision), thus supporting Ofgem’s view that the events are different.
- 4.15 For the above reasons, the Event does not constitute an exceptional event as defined in Amended Standard Condition E12-J1. Accordingly, the Authority is not satisfied for the purposes of paragraph 9(d) of the Condition that the Event was an exceptional event.

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<sup>2</sup> [Gwynt y Môr OFTO plc - decision on exceptional event | Ofgem](#)