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

Whereas:-

1. Humber Gateway OFTO Limited (the **Licensee**) is the holder of an offshore transmission licence granted under section 6(1)(b) of the Electricity Act 1989 (the **Act**). Unless otherwise defined, capitalised terms in this Direction and its annex shall have the same meaning given to them in the Licence.
2. In accordance with Paragraph 9 of Amended Standard Condition E12-J4 (the **Condition**):
 - a) the Licensee considers that the transmission service reductions on the Licensee's transmission system between: 8 February to 9 February 2022; 28 April to 29 April 2022; 10 January to 11 January 2023; and 18 September to 23 September 2023 were caused by an Exceptional Event;
 - b) the Licensee notified the Gas and Electricity Markets Authority (the **Authority**) of the events 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 events; 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.
3. The Authority gave notice in accordance with Paragraph 11 of Amended Standard Condition E12-J4 of the Licence to the Licensee on 16 May 2024 (the **Notice**).
4. The Licensee submitted representations on 26 June 2024.
5. The Licensee provided further information on 7 November 2024.
6. 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 to manage the impact of the event on the availability of transmission services.

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 8 will be increased by 6,395 MWh; and reported system incentive performance for incentive year 9 will be increased by 15,368 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,



Stuart Borland
Deputy Director, Offshore Network Regulation

Duly authorised by the Authority

ANNEX

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

1 Notification

- 1.1 Humber Gateway OFTO Limited (the **Licensee**) notified the Authority on: 10 February 2022; 29 April 2022; 11 January 2023; and 18 September 2023 regarding Transmission Service Reductions due to planned outages of export circuit 2.
- 1.2 The Transmission Service Reductions ran from: 8 February to 9 February 2022; 28 April to 29 April 2022; 10 January to 11 January 2023; and 18 September to 23 September 2023.
- 1.3 The Licensee submitted an Exceptional Event claim to the Authority on 2 November 2023 in respect of the Transmission Service Reductions.

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-A1 of the offshore transmission licence (the **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 this claim provided by the Licensee against the Licence, the open letter of 22 October 2014 and the revised open letter of 4 January 2024.^{1,2}
- 4.2 The Licensee explained that the first three Transmission Service Reductions were caused by planned outages taken by the Licensee to carry out temporary repairs to arrest gas leaks (The **Gas Leaks**) coming from the 275kV circuit 2, phase L2, gas to air termination (the **Termination**). The fourth and final Transmission Service Reduction was caused by a planned outage taken by the Licensee to replace the Termination.
- 4.3 The Licensee considers the cause of the Gas Leaks to be due to a design flaw in the Termination, in that three of the four M6 tapped holes on the top-plate of the Termination lacked grub screws.
- 4.4 The Licensee considers that because three of the four M6 tapped holes did not contain a screw, there was a path for moisture to become trapped under the top plate of the Termination. This resulted in corrosion of the aluminium conductor which the top plate is in contact with. This caused pressure and distortion of the rubber seal of the top plate. This resulted in the Gas Leaks and damage to the Termination, such that it needed to be replaced.
- 4.5 The Licensee provided a root cause analysis report of the independent examination. The root cause analysis report supports the Licensee's views regarding the design flaw of the Termination, and the damage to the integrity of the seal design of the Termination.
- 4.6 The Licensee submits that it only became aware of the design flaw of the Termination at the root cause analysis investigation, which took place on 19 October 2023.
- 4.7 The Licensee submits that an outage would have been required to allow it to safely inspect the Termination. In addition, the Licensee explained that other technology, such as a drone, could not be used to inspect the asset due to safety concerns.
- 4.8 The Licensee considers that the presence of grub screws could neither be confirmed or denied as part of a visual inspection, due to all four M6 tapped holes being covered with sealant.
- 4.9 The Authority's view is that it is more likely than not that three of the four M6 tapped holes were not fitted with grub screws during the construction stage and that the Licensee could not have discovered the issue as part of its due diligence,

¹ Link to [Open letter on the Authority's approach towards exceptional events for offshore transmission owners | Ofgem](#) (22 October 2014)

² Link to Revised [Open letter on the Authority's approach towards Exceptional Events for offshore transmission owners \(OFTOs\) | Ofgem](#)

nor as part of a visual inspection. As such, the Authority considers that there was more likely than not a latent defect with the Termination.

- 4.10 Furthermore, the Authority considers that the Licensee had followed the maintenance guidance provided by the manufacturer.
- 4.11 Considering this, we accept that the Licensee could not reasonably have been expected to identify the fault during the due diligence process prior to asset transfer, and that the root cause of the event was beyond the reasonable control of the Licensee. We therefore consider that the claim constitutes an Exceptional Event within the terms of the Licence and the Open Letter.
- 4.12 We understand the Licensee has taken the following actions to prevent any future further occurrence of this event:
 - a) the Licensee has replaced the Termination and expects no further gas leaks and outages to be expected associated with the new Termination;
 - b) the Licensee has instructed its operations and maintenance operator (the **Operator**) to conduct inspections of the other five similar terminations at the OFTO's onshore substation. The Operator will clean the M6 tapped holes, such that each hole is free from moisture. The Operator will then fit a plastic M6 screw to fill each hole and prevent future ingress of moisture; and
 - c) the Operator has notified the original equipment manufacturer of the issues surrounding the Termination.

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 reasonable 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).
- 5.2 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 in carrying out safe, efficient and successful temporary repairs involving the specialist advice of Energy Maintenance Technologies Ltd, followed by a successful replacement of the Termination.
- 5.3 Therefore, the Authority directs that the value of the Licensee's monthly capacity weighted unavailability be adjusted to offset the full duration of the outage: reported system incentive performance for incentive year 8 will be increased by 6,395 MWh; and reported system incentive performance for incentive year 9 will be increased by 15,368 MWh to fully offset the impact of this event.