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

Whereas: -

1. Blue Transmission Walney 1 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 10 of Amended Standard Condition E12-J4 (the **Condition**):
  - a) the Licensee considers that the Transmission Service Reduction on the Licensee's Transmission system, that occurred from 6 December 2023 to 8 December 2023 were 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 27 November 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 13 (beginning 1 January 2023) will be increased by a total of 4,813 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 BLUE TRANSMISSION WALNEY 1 LIMITED UNDER PARAGRAPH 10 OF AMENDED STANDARD CONDITION E12-J4

#### 1 Notification

- 1.1 On 11 December 2023, Blue Transmission Walney 1 Limited (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 6 to 8 December 2023.
- 1.2 The Licensee submitted an exceptional event claim to the Authority on 12 August 2024.

#### 2 Exceptional Event requirements

- 2.1. Paragraph 10 of 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 Licence as follows:

*"...means 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 the European Commission 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**).<sup>1</sup>
- 4.2 The Licensee explained that the Transmission Service Reduction was caused by the failure of the auxiliary contacts (the **Auxiliary Failure**) which are contained in the Separate Auxiliary Switch Box (**SASB**). The SASB is sealed and bolted.
- 4.3 The SASB associated with disconnectors 296 (**SASB 296**) was exposed to water ingress which resulted in contamination and corrosion of the auxiliary connections leading to an erroneous trip signal being sent to Heysham 132kV busbar protection system.
- 4.4 The root cause analysis report provided by RINA Tech UK Limited (the **RINA Report**) suggested that a series of events (the **Relevant Triggers**) such as an unconnected anti-condensation heater (the **Heater**), blocked breather tubes and inadequate sealant contributed to the Auxiliary Failure.
- 4.5 The Heater was found unconnected, and the SASB operation and maintenance manual (the **Manual**) advises that the Heater should be connected at installation to prevent corrosion damage to the auxiliary contacts.<sup>2</sup>
- 4.6 The sealant cover for SASB 296 was found to be inadequate with evidence of corrosion due to water ingress over time, RINA suggests that had the Relevant Triggers been addressed at installation, the presence of corrosion to the auxiliary contacts would have been reduced, although, it would not have completely prevented the risk of contamination within the enclosure.
- 4.7 The Licensee only discovered the Manual during routine maintenance of the asset in 2021. The Manual was found within SASB 296.
- 4.8 The Licensee submits that these Relevant Triggers as well as not being provided with the Manual by the developer at due diligence contributed to the Auxiliary Failure and therefore was beyond their reasonable control.
- 4.9 Based on the available information and advice from our technical advisors, we accept that the Auxiliary Failure was beyond the reasonable control of the Licensee and could not have been discovered at due diligence, prior to asset transfer, because an outage<sup>3</sup> is required to safely inspect and maintain the asset, in

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<sup>1</sup> [Update to open letter on the Authority's approach towards Exceptional Events \(ofgem.gov.uk\)](https://www.ofgem.gov.uk/open/your-concerns/ofgem-update-to-open-letter-on-the-authority-s-approach-towards-exceptional-events)

<sup>2</sup> The Manual, which is referred to as 296 SASB OM Manual by the Licensee states in Section 7: "If installation is not implemented together with the commissioning, then the heater of the separated auxiliary switch box must immediately be connected and put into operation. This prevent corrosion damage".

<sup>3</sup> Section 4 of the Manual states that an outage (de-energisation) would be required to access the SASB and the SASB would need to be maintained by someone familiar with the operating instructions".

addition, we consider that it is more likely than not that the Heater was not connected at installation.

- 4.10 Our technical advisors further noted that the breather tubes would have needed to be unblocked the same time the Heater was connected, and that the purpose of the breather tubes is to allow air pressure and moisture venting. The blockage can trap moisture inside, accelerating component degradation and potentially causing pressure build up, leading to sealing failures.
- 4.11 The Authority agrees with the Licensee's reasons for not carrying out a full inspection of the asset during routine maintenance in 2021. The Licensee conducted a visual inspection and test operation of the asset and as the asset was working as expected and there were no previous issues with the asset, there was no reason to further inspect the asset at the time.
- 4.12 We understand the Licensee has taken action to prevent any future further occurrence of this event by carrying out maintenance to the asset in accordance with the operation and maintenance guidelines provided by the manufacturer.

**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 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). 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 by carrying out a safe, efficient and successful repair in collaboration with National Grid Electricity Transmission.
- 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: 4,813 MWh reported system incentive performance for incentive year 13 (beginning 1 January 2023), as follow:
- 6 to 8 December 2023 – 4,813 MWh