



Making a positive difference  
for energy consumers

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Date: 6 March 2025

Dear Blair,

**Approval of market rate revenue adjustment methodology statement – amended standard condition E12–A2 (Market Rate Revenue Adjustment)**

Seagreen Phase 1 OFTO Project Limited (the **Licensee**) holds a transmission licence (the **Licence**) granted by the Gas and Electricity Markets Authority (the **Authority**) under section 6(1)(b) of the Electricity Act 1989. Paragraph 3 of amended standard condition E12–A2 (**E12–A2**) requires the Licensee to use reasonable endeavours to have in place an Authority approved market rate revenue adjustment methodology statement (the **Statement**) on and from the date that E12–A2 comes into force.

**The Authority's approval**

Pursuant to paragraph 3 of E12–A2 of the Licence, the Authority hereby approves the Statement submitted to it by the Licensee and which is set out in the appendix.

Yours sincerely

**Sean Payne**  
**Head of OFTO Tender Management**

**Duly authorised on behalf of the**  
**Gas and Electricity Markets Authority**

**APPENDIX A: MARKET RATE REVENUE ADJUSTMENT METHODOLOGY STATEMENT**

The Market Rate Revenue Adjustment ( $MRA_t$ ) accounts for the change in market rates assumed in the tender revenue stream ( $TRS_t$ ) (as defined in amended standard condition E12–J2 (Restriction of Transmission Revenue: revenue from transmission owner services)) and the market rates determined on the date of Financial Close.

The MRA swing tables (as described in the Financial Close Protocol which has been prepared by the Licensee and agreed by the Authority) illustrate the anticipated value of the market rate revenue adjustment for a range of reference rates. The market rates assumed at varying stages of the process are set out below:

	<b>Index Linked Gilt Yield</b>	<b>IR Swap (SONIA)</b>	<b>CPI Swap</b>
(a) market rates assumed for the $TRS_t =$	-0.058%	3.042% <sup>1</sup>	3.051% <sup>2</sup>
(b) market rates determined at Financial Close =	[w]% <sup>3</sup>	[x]% <sup>4</sup>	[y]% <sup>5</sup>

The reference rates in (a) were provided for the purposes of the Invitation to Tender (ITT) process. The rates [w], [x], and [y] shall exclude credit margin and execution spread and will be agreed between the Authority and Licensee at the financial close, following execution of the hedging and rate setting process described in the Financial Close Protocol. Leading up to the date of financial close, the Licensee will engage in a series of dry runs to refine the closing process. The MRA swing tables will be circulated in advance of the financial close dry runs and pricing call.

The steps below will be performed prior to Financial Close. Steps 2-5 inclusive will also be undertaken prior to each dry run.

1. The Licensee will provide to the Authority, its financial advisor and Benchmark, a financial model audited by the model auditor (BDO) and agreed by the lenders.
2. The Licensee will provide repayment and hedging profiles from the financial model to lenders, with copies to the Authority, its financial advisor and Benchmark.
3. The Benchmark will confirm the updated reference rates which the Licensee will use to update the financial model prior to optimisation, in line with the Financial Close Protocol model optimisation procedure.
4. The Licensee will provide the resulting MRA swing tables to the Authority, the Authority's financial advisor, benchmark, and BDO, who will confirm the acceptability of the swing tables, and that the financial model is optimised to an acceptable level of tolerance.
5. The pricing call will commence and market rates will be fixed providing that they fall within the bounds of the MRA swing tables.
6. The Licensee will update the financial model with the executed reference rates and send the final financial model to the Authority, the Authority's financial advisor, benchmark and the Model Auditor for confirmation.
7. The Authority will determine the final  $MRA_t$  and shall issue a direction.