

To Offshore Transmission Owners,  
current and prospective bidders for  
Offshore Transmission Licences and  
other interested parties

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## **Statutory consultation on proposed modifications to Offshore Transmission Licences**

### **Introduction**

The Authority is consulting on proposed modifications to the Offshore Transmission Licence (**OFTO Licence**) under section 11A(2) of the Electricity Act 1989.<sup>1</sup> These cover the following areas:

#### **1. Insertion of an exclusion**

Amended Standard Condition E12-J4: Restriction of Transmission Revenue: Annual Revenue Adjustments (**ASC E12-J4**), where the Authority proposes to introduce a new Transmission System Availability Incentive (**Availability Incentive**) exclusion. The exclusion is intended to protect Offshore Transmission Owners (**OFTOs**) from incurring a penalty under the Availability Incentive as a direct result of being obliged to offer to enter into an agreement with the System Operator and take an outage for works required to facilitate any agreement pursuant to Standard Licence Condition E17: Obligations in relation to offers for connection etc (**SLC E17**) of the Transmission Licence, in accordance with the System Operator Transmission Owner Code (**STC**).

For reference, following the establishment of the National Energy System Operator as the Independent System Operator and Planner (**ISOP**) on 1 October 2024, the term "System Operator" was replaced with "ISOP" in the Transmission Licence. However, the Amended Standard Conditions of OFTO Licences still refer to this as "System Operator". The OFTO Licences will be reviewed and updated in due course.

#### **2. Modifications to two OFTO Licences to include the previous OFTO Licence modifications decision**

We are also consulting on updating the OFTO Licences of TC East Anglia One OFTO Limited and Diamond Transmission Partners Hornsea Two Limited to include our previous OFTO Licence modification decisions on the end of tender revenue stream and incremental capacity arrangements, as neither OFTO had been granted an OFTO Licence at the time the consultation for those modifications was conducted. These decisions were made in June

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<sup>1</sup> References to "the Authority", "Ofgem", "we", "us" and "our" are used interchangeably in this document.

2023 (the **June 2023 Decision**) and July 2023 (the **July 2023 Decision**).<sup>2</sup> For these two OFTO Licences, we are proposing to modify Amended Standard Condition E12-J3: Restriction of Transmission Revenue: Allowed Pass-Through Items (**ASC E12-J3**) and Amended Standard Condition E12-J4: Restriction of Transmission Revenue: Annual Revenue Adjustments (**ASC E12-J4**). This proposed modification seeks to ensure that these two OFTO Licences are aligned and consistent with all other OFTO Licences.

### **3. Modifications to one OFTO Licence to correct a drafting error**

We are also consulting on updating the OFTO Licence of TC Robin Rigg OFTO Limited to correct an error in the drafting of the modification of ASC E12-J4 from the June 2023 Decision and the July 2023 Decision which included our previous OFTO Licence modification decision on the end of tender revenue stream and incremental capacity arrangements.<sup>3</sup> This seeks to modify ASC E12-J4 for this specific OFTO Licence. This proposed modification seeks to ensure that this OFTO Licence is aligned and consistent with all other OFTO Licences.

## **Background**

### **1. Proposed modification to ASC E12-J4 (Insertion of an exclusion)**

OFTO Licences contain an Availability Incentive that incentivises OFTOs to maintain availability on their transmission systems.<sup>4</sup> The Availability Incentive adjusts the OFTO's revenue depending on performance. It also places obligations on the OFTO to maintain the assets in line with Good Industry Practice (as defined in the OFTO Licence).

An OFTO's annual revenue stream can be reduced by up to 10% of annual revenue if it falls below the annual availability target of 98% or increased by up to 5% if it exceeds the annual availability target.<sup>5</sup>

OFTO Licences contain a number of exclusions that protect OFTOs from loss of availability under specific circumstances. Where Ofgem is satisfied that the circumstances of a Transmission Service Reduction (**TSR**) fall within one of the limited exclusions set out in the Licence, such TSR will be excluded from the calculation of the Availability Incentive, and the transmission system is treated as if it were available.

We are seeking views on proposed modifications to the OFTO Licence to introduce an additional exclusion to the Availability Incentive.

Any party wishing to connect to the national electricity transmission system can apply to the System Operator for a connection. Pursuant to SLC E17, OFTOs are obliged to offer to enter into an agreement with the System Operator, where requested to do so.<sup>6</sup>

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<sup>2</sup> Link to the June 2023 Decision: [Decision on proposed modifications to offshore electricity transmission licences | Ofgem](#) (28 June 2023); and link to the July 2023 Decision: [Decision on proposed modification to offshore electricity transmission licences | Ofgem](#) (28 July 2023).

<sup>3</sup> Link to the June 2023 Decision: [Decision on proposed modifications to offshore electricity transmission licences | Ofgem](#) (28 June 2023); and link to the July 2023 Decision: [Decision on proposed modification to offshore electricity transmission licences | Ofgem](#) (28 July 2023).

<sup>4</sup> The Availability Incentive is located in ASC E12-J4 of OFTO Licences.

<sup>5</sup> For further information on how the Availability Incentive influences the OFTO's revenue, please refer to the guidance document for our latest tender round: Tender Round 13 (**TR13**). Link to the TR13 guidance document [Offshore Transmission: Generic Licence and Guidance for Tender Round 13 \(TR13\) | Ofgem](#)

<sup>6</sup> SLC E17 sets out conditions under which an OFTO is either obliged or not obliged to enter into an agreement with the System Operator.

In such cases, the OFTO may need to take an Outage to allow for works to facilitate that agreement to be carried out.<sup>7</sup>

We do not consider it appropriate to penalise an OFTO where it is obliged to take action to comply with the requirements of any agreement pursuant to SLC E17. In the June 2023 Decision, we signalled our intent to consult on further OFTO Licence modifications to introduce specific protection into the OFTO Licence that seeks to protect the OFTO from incurring a penalty under the Availability Incentive where it is required to take an Outage to undertake works to facilitate an agreement with the System Operator, pursuant to SLC E17. We now propose modifications to the OFTO Licence to introduce that protection by inserting an additional exclusion into the OFTO Licence.<sup>8</sup>

If the OFTO is required to take an Outage to undertake works to facilitate an agreement with the System Operator, this may reduce available generation capacity. The access and compensation arrangements for offshore generators set out in the Connection and Use of System Code and the associated Bilateral Connection Agreements will apply.

## **2. Proposed modifications to ASC E12-J3 and E12-J4 (modifications to include two OFTO Licences that were not included in the previous OFTO Licence modification consultation)**

As part of the June 2023 Decision and July 2023 Decision, we introduced OFTO Licence modifications to ASC E12-J3 and ASC E12-J4 that included:

- (a) clarification that OFTOs can seek to recover costs from entering into an agreement with the System Operator under SLC E17, where the OFTO incurs costs as a result of that agreement;
- (b) changes to allow OFTOs to claim for the economic and efficient costs directly incurred in carrying out Health Reviews of their transmission assets and any Investment Works needed to extend the lifetime of those assets as approved by the Authority; and
- (c) changes to allow OFTOs to claim for the availability lost as a direct result of carrying out the Health Reviews and Investment Works.

Due to neither OFTO being licensed at the time the consultation opened, TC East Anglia One OFTO Limited and Diamond Transmission Partners Hornsea Two Limited were not included in that round of OFTO Licence modifications. We are now proposing licence modifications that seek to ensure that these two OFTO Licences are aligned and consistent with all other OFTO Licences.

## **3. Proposed modification to ASC E12-J4 (modifications to correct a drafting error in one OFTO Licence that was included in the previous OFTO Licence modification consultation)**

TC Robin Rigg OFTO Limited was included as part of the June 2023 Decision and the July 2023 Decision. However, a small section of wording included in the OFTO Licences following these decisions was omitted from ASC E12-J4 in error. The proposed modification is intended to rectify this by adding this wording in the OFTO Licence for TC Robin Rigg OFTO Limited to align it with all other OFTO Licences following these decisions.

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<sup>7</sup> In OFTO Licences, Outage is defined as “a planned temporary reduction in the extent to which Transmission Services are provided by a Transmission Owner”.

<sup>8</sup> OFTOs can be obliged to offer into an agreement with the System Operator and take an Outage under SLC E17. Further detail on SLC E17 can be found in the Electricity Transmission Standard Licence Conditions. SLC E17 is in effect for all OFTO Licences. Please refer to the Transmission Licence under the Electricity licences and conditions within this link for further information: [Licences and licence conditions | Ofgem](https://www.ofgem.gov.uk/consult/condln/condlntransmission/condlntransmission.htm)

## **Questions**

1. Do you agree with our proposal to modify the OFTO Licence to include the proposed exclusion to ASC E12-J4?
2. Do you propose any modifications to the drafting of the proposed exclusion to ASC E12-J4?
3. Do you agree with our proposal to modify the OFTO Licences for TC East Anglia One OFTO Limited and Diamond Transmission Partners Hornsea Two Limited to include the OFTO Licence modifications to ASC E12-J3 and E12-J4 from the June 2023 Decision and the July 2023 Decision?
4. Do you agree with our proposal to modify the OFTO Licence for TC Robin Rigg OFTO Limited to include the amendment to ASC E12-J4 to align it with the other OFTO Licences?

## **Consultation Notices**

Copies of the notices covering these modifications for each individual OFTO, together with relevant annexes have been published alongside this letter.

## **Next Steps**

We welcome views on the Licence modifications proposed in this document. Please send your response to [offshorelicensing@ofgem.gov.uk](mailto:offshorelicensing@ofgem.gov.uk). Any representations must be made on or before 9 October 2025.


We are not issuing hard copies of the modification documents, nor do we expect consultation responses by post. If, however, you do wish to receive the documents and respond by post, we are able to organise this for you. Please contact us at the email address above.

We will publish non-confidential responses on our website at [www.ofgem.gov.uk/consultations](http://www.ofgem.gov.uk/consultations).

The Authority will carefully consider all responses received to this consultation document. We will then publish our decision on the proposed modifications. In accordance with section 11A(9) of the Electricity Act 1989, if the Authority makes the Licence modification, it will come into effect not less than 56 days after the date of that decision.

## **Your feedback**

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this consultation. Please send any general feedback comments to [offshorelicensing@ofgem.gov.uk](mailto:offshorelicensing@ofgem.gov.uk).



**Stuart Borland**

**Deputy Director, Offshore Network Regulation**

**For and on behalf of the Gas and Electricity Markets Authority**