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for energy consumers

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Date: 12 September 2025

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: 11 May to 12 May 2024; and 14 May to 16 May 2024 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 events notified under sub-paragraph (b) above constitute an Exceptional Event.
3. The Authority gave notice in accordance with Paragraph 11 of the Condition to the Licensee on 2 September 2025 (the **Notice**).
4. The Licensee provided further information on 12 May 2025 and 20 August 2025.
5. The Licensee did not submit any representations.
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 reasonable steps to manage the impact of the event on the availability of transmission services.

The Office of Gas and Electricity Markets

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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 10 will be increased by 7,141 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,

Ikbal Hussain
Head of OFTO Licensing and Compliance

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 On 14 May 2024, Humber Gateway OFTO Limited (the **Licensee**) notified the Authority that there had been a Transmission Service Reduction on export circuit 2 (**Circuit 2**). The Transmission Service Reduction ran from 11 to 12 May 2024.
- 1.2 On 19 May 2024, the Licensee notified the Authority that there had been a Transmission Service Reduction on export circuit 1 (**Circuit 1**). The Transmission Service Reduction ran from 14 to 16 May 2024.
- 1.3 The Licensee submitted an Exceptional Event claim to the Authority on 6 January 2025 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 Reductions on Circuit 1 and Circuit 2 were 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 in respect of this event 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 states that the Transmission Service Reduction on Circuit 2 was caused by a planned outage taken by the Licensee to carry out repairs of a design flaw on two terminations on Circuit 2 to avoid the risk of a gas leak coming from those terminations.
- 4.3 The Transmission Service Reduction on Circuit 1 was caused by a planned outage taken by the Licensee to carry out repairs of a design flaw on three terminations on Circuit 1 to avoid the risk of a gas leak coming from those terminations, and in parallel, replace a failed gas gauge on 275kV circuit breaker L13 (the **Gas Gauge**).
- 4.4 The repairs carried out by the Licensee on the two terminations on Circuit 2 and the three terminations on Circuit 1 (the **Terminations**) involved:
- a) cleaning out and drying of the M6 tapped holes; and
 - b) inserting a M6 nylon bolt in the M6 tapped holes.
- 4.5 The Licensee viewed there to be a risk of gas leaks from the Terminations due to a design flaw, in that three of the four M6 tapped holes on the top-plate of the Terminations lacked grub screws.
- 4.6 The Licensee viewed 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 Terminations. This design flaw is the same design flaw that was the subject of the Licensee's previous Exceptional Event claim in respect to the phase L2, circuit 2 termination (the **L2 Termination**).³ The Authority's decision on that claim was that it constituted an Exceptional Event as the Licensee could not reasonably have been expected to identify the flaw 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.⁴
- 4.7 As part of the previous Exceptional Event claim, the Licensee provided a root cause analysis report of the independent examination from EA Technology Limited. The root cause analysis report supported the Licensee's views regarding the design flaw of the L2 Termination, and the damage to the integrity of the seal design of the L2 Termination. The Licensee advised that it only became aware of the design flaw of

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](#) (4 January 2024)

³ In this previous claim the Licensee considered that the design flaw had resulted in corrosion of the aluminium conductor which the top-plate of the L2 Termination was in contact with. This caused pressure and distortion of the rubber seal of the top-plate. This resulted in gas leaks coming from the L2 Termination. Ultimately, the integrity of the L2 Termination was compromised, such that it needed to be replaced.

⁴ Link to [the previous Humber Gateway Exceptional Event Claim \(published 6 December 2024\)](#)

the L2 Termination at the root cause analysis investigation, which took place on 19 October 2023.

- 4.8 Turning to the current claim, as part of the Transmission Service Reductions to Circuit 1 and Circuit 2, the Licensee confirmed that three of the four M6 tapped holes in the Terminations did not contain screws. Furthermore, the M6 tapped holes contained a silicon coating, making visual inspection to confirm the presence of screws difficult.
- 4.9 The Licensee submits that an outage would have been required to allow it to safely inspect the Terminations. In addition, due to the height at which the top-plate of the Terminations are located, the Terminations can only be inspected via a mobile elevated platform.
- 4.10 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 with the Terminations as part of its due diligence, nor as part of a visual inspection. As such, the Authority considers that there was more likely than not a latent defect in the Terminations. The Authority considers that the latent defect in the Terminations is the same latent defect that was present in the L2 Termination.
- 4.11 Considering this, we accept that the Licensee could not reasonably have been expected to identify the latent defect in the Terminations during the due diligence process prior to asset transfer, and that the root cause of the events on Circuit 1 and Circuit 2 were 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 repairs the Licensee has taken with the Terminations should prevent a future occurrence of this event on these Terminations.

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.
- 5.3 The Licensee notified us that the Transmission Service Reduction on Circuit 1, which also involved the replacement of the Gas Gauge, was longer than the Transmission Service Reduction on Circuit 2. The Licensee explained that the replacement of the Gas Gauge on Circuit 1 was conducted in parallel with the pre-emptive repairs to the Terminations on Circuit 1, and that the repairs to the Gas Gauge did not cause the Transmission Service Reduction on Circuit 1 to be longer than the Transmission Service Reduction on Circuit 2.
- 5.4 The Licensee notified us that weather related issues resulted in the Transmission Service Reduction on Circuit 1 being longer than the Transmission Service

Reduction on Circuit 2. The Licensee explained that the pre-emptive repairs to the Terminations require dry weather, and that conducting repairs at height, where the top-plate of the Terminations are located, requires calm weather.

- 5.5 We are satisfied that the Licensee acted in accordance with Good Industry Practice to manage the impact of the event. The Licensee carried out the repairs on the Terminations in a manner that was safe, reasonable and efficient and restored transmission services to full capacity. We also consider that the Licensee conducting the replacement of the Gas Gauge in conjunction with the pre-emptive repairs to the Terminations on Circuit 1 constituted Good Industry Practice.
- 5.6 Therefore, the Authority directs that the value of the Licensee's monthly capacity weighted unavailability be adjusted to offset the full duration of this Exceptional Event: reported system incentive performance for incentive year 10 will be increased by 7,141 MWh to fully offset the impact of this event.