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Dear Sean,

Notice of consultation to modify conditions of the transmission licence proposed to be granted to the successful bidder for the Gwynt y Môr project

We have today commenced a consultation under section 8A of the Electricity Act 1989 on the proposed modifications to certain standard conditions of the transmission licence that may be granted to Gwynt y Môr OFTO plc¹ (the **Potential Licensee**). The transmission licence will be granted to the Potential Licensee if the Balfour Beatty Equitix Consortium (a consortium of Balfour Beatty Investments Limited and Equitix Limited) (the **Preferred Bidder**) becomes the successful bidder for the Gwynt y Môr project (the **Project**).

The attached consultation notice is published on our website and sets out details of the proposed modifications, the closing date of the consultation and how to respond. We have posted hard copies to you as well as the Company Secretary of the Potential Licensee.

We are proposing to add a number of amended standard conditions to the transmission licence that may be granted to the Potential Licensee should the Preferred Bidder become the successful bidder for the Project. These proposed conditions are annexed to the section 8A notice.

In accordance with our statutory requirements and best practice we have brought the proposed modifications to the attention of persons likely to be affected and also provided copies of the notice to:

- The Secretary of State for Energy and Climate Change;
- The Health and Safety Executive (HSE);
- The Scottish Government;
- The Welsh Government;
- Citizens Advice Bureau, England
- Citizens Advice Bureau, Scotland
- The Project Developer (Gwynt y Môr Offshore Wind Farm Limited)

¹ The proposed licensee entity incorporated by the Preferred Bidder.

Project specific Licence modifications

Amended Standard Condition E12-J4 (Restriction of Transmission Revenue: Annual Revenue Adjustments)

We have added additional limbs (e) and (f) to paragraph 8 of amended standard condition E12-J4 (Restriction of Transmission Revenue: Annual Revenue Adjustments) which lists the circumstances under which a transmission service reduction on the Potential Licensee's transmission assets is not included in the calculation of the availability incentive. The inclusion of these bespoke exclusion limbs will ensure that the Potential Licensee's revenue is not adversely affected should transmission service reductions occur as a result of the following specific events:

1. Any reduction in transmission system availability during the Relevant Period, subject to the licensee ensuring compliance with Paragraph 3, solely as a result of works undertaken to remediate a temperature anomaly in the offshore joint of the fibre optic cable, defined as Hotspot 2, in accordance with Annex 2 of Schedule 14 of the agreement for the transfer of the transmission assets between the licensee and Gwynt y Môr Offshore Wind Farm Limited dated on or around the effective date of this licence. For the purpose of this sub-paragraph, the Relevant Period is 30 months from the date this licence comes into force, or until the completion of works undertaken in accordance with Annex 2 of Schedule 14 of the agreement for the transfer of the transmission assets between the licensee and Gwynt y Môr Offshore Wind Farm Limited dated on or around the effective date of this licence, whichever is the shorter.
2. Any reduction in transmission system availability during the Relevant Period, subject to the licensee ensuring compliance with Paragraph 3, solely as a result of completion works undertaken in accordance with Table 2 of Annex 1 of Schedule 14 of the agreement for the transfer of the transmission assets between the licensee and Gwynt y Môr Offshore Wind Farm Limited dated on or around the effective date of this licence. For the purpose of this sub-paragraph, the Relevant Period is 18 months from the date this licence comes into force, or until the completion of each of the works undertaken in accordance with Table 2 of Annex 1 of Schedule 14 of the agreement for the transfer of the transmission assets between the licensee and Gwynt y Môr Offshore Wind Farm Limited dated on or around the effective date of this licence, whichever is the shorter.

The inclusion of these bespoke exclusion limbs is consistent with the principle of protecting the Potential Licensee's revenue stream in certain circumstances from outages linked to construction and commissioning works that take place post asset transfer.

These licence modifications are necessary in this case because the Preferred Bidder was not aware (and could not reasonably be expected to have been aware) of the issues or the materiality of the issues prior to and for the purpose of submitting its ITT submission. It is not, on balance, appropriate for the Preferred Bidder to pursue commercial arrangements or other means to fully mitigate these issues, which may result in a material impact on the revenue losses incurred by the Potential Licensee through the availability incentive.

Tender revenue stream

Amended standard condition E12-J2 (Restriction of Transmission Revenue: Revenue from Transmission Owner Services) sets out the proposed tender revenue stream for the Project for the purposes of the section 8A consultation (the **s8A TRS**). The s8A TRS is based on the tender revenue stream bid by the Preferred Bidder at the Invitation to Tender (**ITT**) stage of the tender process, which has been updated to reflect further information available to the Preferred Bidder since the date of the ITT submission, including the draft final transfer value for the Project. The s8A TRS assumes that 100% of the draft final transfer value will be paid to the project developer on asset transfer. Details of the transfer value

which is reflected in the s8A TRS are set out in the draft cost assessment report for the Project, which is published on our website today (www.ofgem.gov.uk).

If you have any queries regarding the information contained within this letter you should contact Stephen Taylor on 020 3263 9936 or by email offshorelicensing@ofgem.gov.uk

Yours sincerely

Stephen Beel
Associate Director, Offshore Transmission