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General Manager
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Your Ref:
Our Ref:
Direct Dial:
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Date: 27 April 2016

Dear General Manager,

TC Lincs OFTO Limited – Exceptional Event claim under Amended Standard Condition E12-J4 of the offshore transmission licence

I am writing in connection with your claim for an Exceptional Event under Amended Standard Condition E12-J4, in respect of the event notified to us on 2 October 2015.

For the reasons set out in Annex 1, we do not consider that the event notified to us was an Exceptional Event.

We gave notice of our decision to the Licensee on 23 March, and have taken account of the representation made by the Licensee in response to that notice.

Yours faithfully,

Stephen Beel
Partner, Competitive Networks

ANNEX 1 - THE AUTHORITY'S DECISION ON AN EXCEPTIONAL EVENT CLAIM SUBMITTED BY TC LINCS OFTO LIMITED UNDER AMENDED STANDARD CONDITION E12-J4

1 Exceptional event notification submitted by the Licensee

1.1 The Licensee notified the Authority on 2 October 2015 that it considered a transmission service reduction that occurred from 0940 to 1253 on 19 September 2015 was caused wholly by an exceptional event.

1.2 The Licensee submitted an incident report to the Authority in support of this claim. The report stated that the incident had occurred when a sub-contractor was looking to remove an oil booster tank from the cable sealing end at the Walpole 400kv substation. The sub-contractor reported that 'the retaining nut connecting the booster tank was stiff and required a little extra force to undo; a self-sealing valve then stuck and failed to operate correctly; oil was then released full bore; and after a slight delay, the oil flow was halted.' However the initial release of oil caused the 400kv system to be switched out for about three hours.

Authority's reasons for its decision on the event

2.1 The Authority considered this claim against the terms of the licence using the general approach on the evaluation of exceptional events set out in an open letter published on 22 October 2014. The Authority has reviewed the claim very carefully and does not consider that the event was an exceptional event as defined under Amended Standard Condition E12-J1 of the Licence. Our reasoning is as follows:-

- The incident report states that the cable sealing end had been observed to be losing oil pressure since shortly after asset transfer in November 2014;
- The cable sealing end had been topped up with oil in December 2014; an oil booster tank was fitted to maintain pressure in March 2015; and the booster tank was filled with oil in August 2015;
- Each of these works had been carried out with the system live as recommended by the subcontractor;
- The Licensee therefore decided to proceed with the maintenance works in September 2015 with the system live, because of the 'very low risk of oil loss and because this had been done on previous occasions without any incident';
- The Licensee has argued that the failure was the result of an unforeseeable component failure during a routine activity. It had conducted a risk assessment regarding the works and the subcontractor stated that this was the first occurrence of this type that it had experienced, and the failure could not have been foreseen. The Licensee therefore believes that the failure should be regarded as an exceptional event, outside its reasonable control;
- We have considered these arguments carefully;

- Each Licensee is responsible for operating the asset from the point of transfer, for maintaining the system and managing the risks arising from owning, operating and maintaining the asset;
- Our October 2014 open letter on our approach to exceptional events sets out that in evaluating exceptional events, we will consider whether the event or circumstance was beyond the reasonable control of the licensee. The letter also states that:
 - i. We will consider 'whether it was reasonable for the OFTO to know about the relevant triggers or contributory factors for an event.' The evidence submitted to us demonstrates that the Licensee was aware of the relevant contributory factors.
 - ii. We will consider 'whether it was reasonable for an OFTO to control or change some or all of the relevant triggers' and that 'for an event to be beyond an OFTO's reasonable control, the OFTO must demonstrate that its actions or inactions (including those of its agents, employees, contractors etc. working on its behalf)...did not materially contribute to the failure event'. The evidence submitted to us demonstrates that the maintenance work undertaken by the Licensee via its sub-contractor materially contributed to the failure event;
- This cannot therefore be regarded as beyond the reasonable control of the OFTO, and we do not consider it to be an outage caused by an exceptional event.