



Blue Transmission London Array Limited
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Ofgem
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107 West Regent Street
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[REDACTED]
[REDACTED]
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For the attention of: [REDACTED] Senior Manager Electricity Transmission

19th June 2015

Our Reference BTLA150619

Dear Sirs

Offshore Electricity Transmission Licence for Blue Transmission London Array Limited dated 10th September 2013

Notice pursuant to paragraph 14 of Amended Standard Condition E12-J3: Restriction of Transmission Revenue: Allowed Pass-through Items

Income Adjusting Event ("IAE")

We write further to the offshore electricity transmission licence in respect of the London Array offshore wind farm dated 9th September 2013 ("the Licence") granted by the Gas and Electricity Markets Authority ("the Authority") to Blue Transmission London Array Limited ("the Licensee").

We hereby give notice pursuant to paragraph 14 of Amended Standard Condition E12-J3 of the Licence (Restriction of Transmission Revenue: Allowed Pass-through Items) in respect of an Income Adjusting Event. In accordance with paragraph 16 of Amended Standard Condition E12-J3 the event has for the relevant financial year, 1st April 2014 to 31st March 2015, increased costs and/or expenses by more than £1,000,000 (the "STC threshold amount").

In accordance with paragraph 16 of Amended Standard Condition E12-J3, we provide in this Notice the following particulars:

1. Details of the event to which this Notice relates and the reasons why the Licensee considers the event to be an IAE.
2. Details of the amount of the change in costs and expenses that have been caused by the event and how the amount of these costs and expenses has been calculated.

3. The amount of the allowed income adjustment proposed as a consequence of the event and how this adjustment has been calculated.
4. Further information which the Licensee considers sufficient to enable the Authority and the relevant parties to fully assess the event that is the subject of this Notice.

Details of the IAE

Attached to this Notice is Appendix 1: Details of IAE.

Appendix 1 sets out in detail the facts and circumstances surrounding the IAE and why the Licensee considers that the event that has occurred is an IAE. Appendix 1 also sets out how the Licensee has mitigated the impact of the IAE and the associated costs and expenses.

In summary, scour has occurred at the location where the four HV Export Cables cross a third party cable and this had the potential to affect the integrity of the cables as well as, possibly, the integrity of the rock berm protecting the cables. As a result of the scour, urgent remedial work has been necessary and further remedial work may be necessary.

The scour and the consequential need for remedial work is an Income Adjusting Event because such an event and the effect on costs and/or expenses was not reasonably foreseeable at tender due diligence or at financial close when the revenue calculations were fixed.

Due to the event being unforeseeable to the Licensee, and given the underlying philosophy of the licensing regime, the costs and expenses arising from this event are considered by the Licensee to be suitable for passing through to consumers as part of allowed transmission owner revenue.

Amount of change in costs and expenses caused by the event

Attached to this Notice is Appendix 2: Amount of Change in Costs and Expenses.

Appendix 2 sets out the changes in costs and expenses that have been caused by the IAE and how those changes have been calculated.

In summary, there has been an overall change to the costs and expenses of the Licensee of £1,755,829.39 for the relevant financial year 1st April 2014 to 31st March 2015. This increase in costs and expenses is in excess of the STC threshold amount of £1,000,000.

In addition, costs and expenses as a result of the event continue to be incurred and it is estimated that there may be a change to the costs and expenses of the Licensee for future relevant financial years. If the Authority accepts, pursuant to this Notice, that an IAE has occurred then further notice(s) will be served at the appropriate time(s) detailing the further change in costs and expenses and proposing further allowed income adjustment(s).

Amount of allowed income adjustment proposed as a consequence of the event

In summary, the Licensee proposes that a one-off revenue adjustment in the sum of £1,755,829.39 is applied to the Licensee's allowed revenue in financial year 2015/16 (Relevant Year t=3). This adjustment is calculated as the amount of the change in costs and expenses as set out in Appendix 2 of this Notice.

The Licensee further proposes that the adjustment is invoiced to National Grid as a one-off payment immediately following the Authority's approval of the one-off revenue adjustment, payable within 30 days in accordance with clause 4.3.2 of the Section E (Billing and Payment) of the STC.

The Licensee has not in this Notice claimed any interest or provision for indexation on the adjustment but would welcome further discussion with Ofgem on this topic.

Further information

The Licensee considers that there is sufficient information within Appendices 1 and 2 to this Notice for the Authority to make its determination on this issue in accordance with the relevant provisions of the License. However, if the Authority requires further information then in accordance with paragraph 17 of Amended Standard Condition E12-J3 the Authority should contact the Licensee accordingly.

Confidentiality

As detailed in Appendix 1 the Licensee is currently in commercial discussions with the HV Export Cable contractor and as such details of this IAE and all financial costs and expenses are commercially sensitive as they could be used in any future dispute resolution.

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

Timing

With regard to timing, the Licence is clear that a claim for relief can only be made once costs have been incurred and those costs exceed the STC threshold amount. The costs incurred as a result of the IAE only exceeded the STC threshold amount in the last quarter of 2014/15. This Notice has been served as soon as practicably possible thereafter and in any event within 3 months of the end of the relevant year.

We await the Authority's response to this Notice in accordance with the relevant provisions of Amended Standard Clause E12-J3 of the Licence.

Yours faithfully



Blue Transmission London Array Limited

