

To:

**The General Manager
Blue Transmission Walney 1 Limited
The American Barns
Banbury Road
Lighthorne
Warwickshire
CV35 0AE**

**DIRECTION UNDER PARAGRAPH 10 OF AMENDED STANDARD CONDITION E12-J4
OF THE OFFSHORE TRANSMISSION LICENCE**

Whereas:-

1. Blue Transmission Walney 1 Limited (the "Licensee") is the holder of an offshore transmission licence (the "Licence") granted under section 6(1)(b) of the Electricity Act 1989 (the "Act").

2. In accordance with Paragraph 10 of Amended Standard Condition E12-J4:

a) the Licensee considers that the transmission service reductions on the Licensee's transmission system commencing at 10:37 on 14 September 2016 and ending at 17:42 on 14 September 2016 and commencing at 7:59 on 16 September 2016 and ending at 12:03 on 16 September 2016 were each caused by an exceptional event;

b) the Licensee notified the Gas and Electricity Markets Authority (the "Authority") of the events on 28 September 2016, within 14 days of their occurrence;

c) the Licensee has provided details of the reductions in system availability that the Licensee considers resulted from the exceptional events and further information required by the Authority in relation to 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 were an exceptional events.

3. In accordance with Paragraph 11 of Amended Standard Condition E12-J4:

(e) The Authority is satisfied, for the reasons specified in the Annex to this direction that the Licensee took steps, consistent with Good Industry Practice, to manage the impact of the events on the availability of services (both in anticipation of the event and after the event had occurred).

4. The Authority gave notice in accordance with Paragraph 12 of Amended Standard Condition E12-J4 of the Licence to the Licensee on 16 November 2017 (the "Notice").

5. The licensee submitted minor representations to the Authority on 16 and 20 November 2017. We have taken account of those representations in the annex to this direction.

Now therefore:

6. The Authority directs that the Licensee's reported system incentive performance be adjusted to offset the full duration of the outages: 602.1MWh reported system incentive performance for incentive year 5 (beginning 1 January 2016).

This direction constitutes notice pursuant to section 49A(1)(c) of the Act.

Dated: 1 December 2017

Akshay Kaul
Partner, Commercial Networks

Duly authorised by the Authority

ANNEX

REASONS FOR ACCEPTANCE OF AN EXCEPTIONAL EVENT CLAIM SUBMITTED BY BLUE TRANSMISSION WALNEY 1 LIMITED UNDER PARAGRAPH 10 OF AMENDED STANDARD CONDITION E12-J4

1 Notification

- 1.1 On 28 September 2016, Blue Transmission Walney 1 Limited (the **Licensee**) notified the Authority under paragraph 10 of Amended Standard Condition E12-J4 (the **Condition**) of two transmission service reductions on the Walney 1 transmission system, which occurred on 14 and on 16 September 2016 and which it considers were caused by Exceptional Events. The Licensee provided a report regarding the cause of the transmission service reductions in a report dated 14 November 2016, including a technical report produced by DONG Energy (the **DONG Report**). DONG Energy operates the wind farm connected to the Licensee's transmission system.
- 1.2 The DONG Report states that the cause of the transmission service reductions was an overvoltage on the DONG Energy-operated 34kV system (the **Trigger Events**), which in turn resulted in the correct operation of the protection on the Licensee's Grid Transformer 2 to trip the circuit and protect it from damage on two separate occasions (the **Failure Events**). The DONG Report concluded that the works undertaken by DONG on their wind park control and monitoring systems, together with an incorrect design feature of DONG's system, was the cause of the Trigger Events.

2 Exceptional Event requirements

- 2.1. Paragraph 10 of the Condition provides that the Authority shall adjust the value of the monthly capacity weighted unavailability to offset the impact of an Exceptional Event where:
- a) the licensee considers that any 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-J1 of the offshore transmission 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, 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 the European Commission or any other body having jurisdiction over the activities of the licensee provide 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 circumstances 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 10(a) to (c) of the Condition. Pursuant to subparagraph 10(d) of the Condition, the Authority is satisfied that the Failure Events are Exceptional Events, for the reasons set out below.

4 Reasons for decision

4.1 The Authority has considered the information provided by the Licensee regarding the Failure Events against both the licence and the open letter dated 22 October 2014 (the **Open Letter**).

4.2 As evidenced by the DONG Report, the Failure Events were the product of an unexpected failure of the connected wind farm (i.e. the Trigger Events), which in turn caused the Licensee's transmission system to trip to avoid damage to that system.

4.3 The Authority accepts that the Licensee was unaware that works were being undertaken on the connected wind farm until after the second Trigger Event on 16 September 2016 had occurred. It also accepts that the Licensee would not reasonably have expected that the works on the wind farm would have any impact on the transmission system.

4.4 The definition of 'Exceptional Event' outlines an indicative list of events which are to be deemed as being "*beyond the reasonable control of the licensee*". The operation of protection systems on a transmission system as a result of a third party's actions is not expressly listed as an example of an event which is to be treated as "*beyond the reasonable control of the licensee*"; however, the list is non-exhaustive, and the definition extends to events commensurate with those listed.

4.5 The possibility of there being a fault or failure on the apparatus belonging to a licensee is a type of risk that is foreseeable, and in respect of which licensees are expected to plan and put in place contingency arrangements; such an event is deemed to be within the licensee's reasonable control for the purposes of the definition of 'Exceptional Event'. However, on the present facts, the Failure Events were not the mere product of the Licensee's apparatus suffering a fault or failure, but were rather the product of a third party's actions.

4.6 The Authority considers that a third party, over which a licensee does not have control and for which a licensee does not have responsibility, causing a fault or failure in a licensee's plant or apparatus is not an event which is reasonably to be expected to occur. It follows that, in determining whether the event constitutes an Exceptional Event, the Authority applies the approach set out in the Open Letter, which identifies two key questions:

(1) Whether it was reasonable for the licensee to know about all the relevant triggers or contributory factors; and

(2) Whether it was reasonable for the licensee to control or change some or all of these relevant triggers.

4.7 The DONG Report states that the cause of the failure was the product of an unexpected failure of the connected wind farm. The Authority accepts that the Licensee could not have known about or foreseen that the works undertaken by the independent third party on the connected wind farm would cause a failure of that wind farm; indeed, the third party itself did not expect the failure to occur. This puts the relevant Trigger Events and contributory factors outside of the Licensee's knowledge in respect of the first question outlined in the Open Letter.

4.8 The actions of independent third parties on their connected wind farms are not actions

over which the Licensee can be expected to have any control or for which the Licensee has responsibility. Furthermore, even if the Licensee was aware of the Trigger Event, in these circumstances, the Licensee did not know that the Trigger Event could subsequently affect the Licensee's transmission system and cause a transmission service reduction until after the second Failure Event occurred. Noting the length of time between the two Failure Events, the Licensee could not have reasonably been expected to change the relevant triggers before the second Failure Event. As such, the Licensee could not have known about or controlled the relevant triggers or contributory factors.

- 4.9 For the above reasons, the Failure Events constitute Exceptional Events as defined in Amended Standard Condition E12-J1. Accordingly, the Authority is satisfied for the purposes of paragraph 10(d) of the Condition that the Failure Events were Exceptional Events.

5 Authority's adjustment to the reported system incentive performance under Paragraph 11 of Amended Standard Condition E12-J4

- 5.1 In accordance with Paragraph 11 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 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). The Authority has considered whether the Licensee has taken steps in accordance with Good Industry Practice to manage the impact of the event and obtained technical advice to inform its assessment. The Authority is satisfied that the Licensee acted in accordance with Good Industry Practice for the following reasons:-

- The Licensee mobilised its operation and maintenance providers shortly after the events occurred.
- On both occasions, the Licensee restored transmission services in short timescales (just over 6 hours and 4 hours respectively).
- Given the short duration of the transmission service reductions, the Licensee could not bring forward any planned maintenance to avoid or reduce any future outages.

- 5.2 Therefore, the Authority directs that the Licensee's reported system incentive performance be adjusted by 602.1MWh to offset the full duration of the outages: reported system incentive performance for incentive year 5 (beginning 1 January 2016).