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Making a positive difference
for energy consumers

Direct Dial: 0207 901 7035
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Dear Company Secretary,

Network Innovation Competition (NIC) TC Ormonde/ Offshore Cable Repair Vessel and Universal Joint project (the Project)

The NIC funds a number of large-scale innovation projects and was set up to encourage network companies to innovate in the design, development, and operation of their networks.

The purpose of the Project was the:

- i) detailed design, implementation and testing of the modifications required to convert a telecommunications cable repair vessel to conduct subsea power cable repairs,
- ii) detailed design, manufacture and testing of universal joints capable of connecting dissimilar cable types, and
- iii) training and qualification of cable jointers for the new universal joints.

A key part of the Project was investigating how the cable repair vessel referred to above could operate within the Atlantic Cable Maintenance Agreement (ACMA) commercial structure. If the Project was successful Offshore Transmission Owners (OFTOs) and other transmission licensees would have been able to sign up to this framework to make use of the ship.

According to the Project Direction,¹ dated 19 December 2014, the Project was divided into two phases: (i) a detailed design and feasibility study and (ii) the construction phase. Before the Project could progress to this second stage, TC Ormonde was required to submit an application to us to demonstrate how they had met conditions 9, 10 and 11 of the Project Direction.

On 20 December 2016 TC Ormonde wrote to us with the outcome of the first phase and their recommendation to progress the project to the second phase.

This letter contains our response to these recommendations and our decision to halt the project.

Background

The Project Direction contains the terms that the Project must comply with as a condition for receiving NIC funding. In December 2016, TC Ormonde submitted its application to progress the Project to the construction phase.

¹ <https://www.ofgem.gov.uk/publications-and-updates/network-innovation-competition-project-direction-ocrv>

TC Ormonde's recommendations

TC Ormonde provided evidence that the Project was technically feasible albeit at a higher price than that set out in the Initial Submission. All specifications and designs were provided, ACMA approval was received in 2015 and reconfirmed in 2016.

The key finding was the costs of the Project should increase from £10,329k to £25,071k. The main reasons for this increase was a change in the technical specification for the vessel.

Although the proposed budget is significantly above the original budget, TC Ormonde recommended that it should be allowed to complete the Project. We informed TC Ormonde that increasing the amount of NIC Funding by the necessary amount was not in line with the NIC governance arrangements. TC Ormonde has therefore sought permission to halt the Project.

Decision

We consider the Project should be halted and not progress past the initial stage as outlined within section 8 of the Project Direction. In accordance with the Project Direction the total cost of the Project should be £410k with the rest of the amount transferred to TC Ormonde being returned to customers. We will issue a Funding Direction setting this out in January 2018.

TC Ormonde may now apply for a Successful Delivery Reward. The Project has ended and the licensee's Closedown Report has been reviewed by an appropriate party.

If you would like to discuss any of the issues raised in this letter, please contact Andrew Stone at Andrew.Stone@ofgem.gov.uk.

Yours sincerely



Geoff Randall
Associate Partner, Networks
For and on behalf of the Authority