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Date: 26 January 2018

Dear Company Secretary

### **Electricity Network Innovation Competition (NIC) - Funding Direction**

The NIC Funding Direction<sup>1</sup> sets out the amount TC Ormonde OFTO Limited must transfer to National Grid Electricity Transmission Limited (NGET). TC Ormonde OFTO Limited is returning £8.6 million due to the halting of the project. This funding will be returned in the 2018/19 financial year.

#### *Background*

We issue Funding Directions every year under the provisions of Section B: Implementation Requirements, Chapter 7 (Funding Direction) of the Electricity NIC Governance Document<sup>2</sup> and pursuant to the licence conditions set out in Table 1. This funding direction has been issued under Amended Standard Condition E12-J11 of TC Ormonde OFTO Limited's Licence.

#### *Funding returned to customers through the Funding Return Mechanism*

In January 2018, we decided<sup>3</sup> in that TC Ormonde OFTO Limited's 'Offshore Cable Repair Vessel and Universal Joint' project, looking to convert a telecommunications cable repair vessel to conduct subsea power cable repairs, should not progress past its first phase. This was due to the feasibility study they presented at the end of the first stage showing the potential costs of the conversion had significantly increased.

#### *Implementation*

As the potential learning from the relevant projects provides benefits to all Network Licensees, they are funded by all customers through Transmission Network Charges recovered by NGET. Therefore we are requiring TC Ormonde OFTO Limited to return funding to NGET. We have issued a separate direction adjusting NGET's Maximum Allowed Revenue in accordance with the provisions of Special Condition 3A of the NGET licence for the Relevant Year 2018/19, and setting the amount that NGET needs to transfer to the Network Licensees.

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<sup>1</sup> Capitalised terms not otherwise defined in this document have the meaning given to them in Appendix 1 of the Electricity NIC Governance Document

<sup>2</sup> <https://www.ofgem.gov.uk/publications-and-updates/version-30-network-innovation-competition-governance-documents>

<sup>3</sup> <https://www.ofgem.gov.uk/publications-and-updates/network-innovation-competition-offshore-cable-repair-vessel-decision-halt-project>

In accordance with Amended Standard Condition E12-J11 of TC Ormonde OFTO Limited's Licence and in accordance with the Electricity NIC Governance Document, the schedule to this Funding Direction:

- (a) Sets out the amounts that are to be transferred to NGET from TC Ormonde Limited – see Table 1; and
- (b) identifies the manner in which and the timescale over which the net amounts will be transferred.

The schedule to this Funding Direction includes the above information for the Formula Year 2018/19.

In accordance with Amended Standard Condition E12-J11 of the Electricity Transmission Licence, and in accordance with the Electricity NIC Governance Document, the Authority hereby requires TC Ormonde OFTO Limited to comply with the conditions set out in the Schedule to this Funding Direction.

This Funding Direction constitutes notice pursuant to section 49A (Reasons for decisions) of the Electricity Act 1989.

Yours faithfully,

**Geoffrey Randall**  
**Associate Partner, RIIO Networks**

Signed on behalf of the Authority and authorised for that purpose

## Schedule to Funding Direction

### 1. The net amounts that must be transferred between Network Licensees

Table 5 contains the net amounts that must be transferred by TC Ormonde OFTO Limited to electricity NGET in the Relevant Year commencing 1 April 2018. For the avoidance of doubt, no adjustments for inflation should be made to these numbers.

### 2. The manner in which and the timescale over which the net amounts will be transferred

The transfers must be made on an equal monthly basis, for the entirety of the Relevant Year commencing 1 April 2018 such that the total amount transferred over the Relevant Year commencing 1 April 2018 equals the net amount set out in Table 5.

NGET provide its bank account details to TC Ormonde OFTO Limited by 1 March 2018. TC Ormonde OFTO Limited will make transfers to the specified bank accounts on the day of the month agreed by TC Ormonde OFTO Limited.

**Table 1 – Amount to be transferred to NGET by other licensees**

<b>Network Licensee</b>	<b>Amount to be transferred to NGET</b>
TC Ormonde OFTO Limited	8,627,938.00