

To:

**The General Manager
TC Ormonde OFTO Limited
Two London Bridge
London
SE1 9RA**

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

Whereas:-

1. TC Ormonde OFTO 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 reduction on the Licensee's transmission system commencing on 17 June 2017 and ending on 24 July 2017 was caused by an exceptional event;
 - b) the Licensee notified the Gas and Electricity Markets Authority (the "Authority") of the event on 20 June 2017, within 14 days of its occurrence;
 - c) the Licensee has provided details of the reduction in system availability that the Licensee considers resulted from the exceptional event and further information required by the Authority in relation to the event, and
 - d) the Authority is satisfied, for the reasons specified in Annex 1 to this direction that the event notified under sub-paragraph (b) above constitutes an Exceptional Event as defined in Amended Standard Condition E12-J4.
3. In accordance with Paragraph 11 of Amended Standard Condition E12-J4:
 - (a) The Authority is satisfied, for the reasons specified in Annex 1 to this direction that the Licensee took 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 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 18 July 2018 (the "Notice").

5. No representations were made by the Licensee in response to the Notice. However, the Licensee requested that certain confidential information be redacted when the Notice is published.

Now therefore:

6. The Authority directs that the Licensee's reported system incentive performance be adjusted to offset the full duration of the outage: 134,498 MWh reported system incentive performance for incentive year 7 (beginning 1 January 2017).

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

Dated: 29 August 2018

Cathryn Scott
Director, Systems & Networks

Duly authorised by the Authority

ANNEX 1

REASONS FOR ACCEPTANCE OF AN EXCEPTIONAL EVENT CLAIM SUBMITTED BY TC ORMONDE OFTO LIMITED UNDER PARAGRAPH 10 OF AMENDED STANDARD CONDITION E12-J4

1 Notification

- 1.1 On 8 February 2017, TC Ormonde OFTO Limited (the **Licensee**) notified the Authority that issues were arising with the fibre optic cable (**FOC**) strands in their export cable. On 20 June 2017, the Licensee notified the Authority in accordance with paragraph 10 of Amended Standard Condition E12-J4 (the **Condition**), that it had decided to carry out a pre-emptive repair to the export cable, and that it regarded the transmission service reduction as being caused by an Exceptional Event (the **Failure Event**). The transmission service reduction ran from 17 June 2017 to 24 July 2017.
- 1.2 The Licensee submitted an exceptional event claim to the Authority on 10 November 2017, presenting reports produced by EA Technology (the **EAT report**) and RINA (the **RINA report**) on the FOC failures and water blocking tests.

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 Event is an Exceptional Event, 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 Event against both the licence and the open letter dated 22 October 2014 (the **Open Letter**).
- 4.2 The technical report provided by EA Technology (the EAT Report) found a variation in the lengthways resistance of the FOC sheath. The EAT Report found that this was primarily due to inconsistencies in the layer of insulating glue between the FOC sheath and surrounding copper tube, with contact between the two where no glue was present. The resulting variation in conductivity along the length to the copper tube of the FOC, together with the induced voltage present on the copper tube, caused localised heating and damage to the outset sheath of two power cores, as well as the FOC sheath and copper tube.
- 4.3 The inconsistencies in cable fabrication and specification could not have been identified during the due diligence process or at any other point prior to the licence grant. The technical evidence demonstrates that the most likely causal trigger event for the Failure Event occurred prior to asset transfer, i.e. prior to the point at which the licensee assumed normal operational risk for the assets. The Authority is satisfied that the trigger event that caused the initial fibres in the FOC to fail occurred during the fabrication of the cable and was therefore outside the reasonable control of the Licensee.
- 4.4 The Licensee observed progressive FOC failures between February and April 2017. These did not cause the transmission cable to fail. However, following the repair the Licensee found evidence of interaction between the FOC outer tube and adjacent power cores, which indicated that there was likely to be a transmission failure in due course.
- 4.5 Before deciding whether to repair the cable, the Licensee consulted independent technical advisers, who advised that based on experience of previous failures with the same cable type and manufacturer, a power core failure was in their view highly likely.
- 4.6 In coming to a conclusion to undertake a pre-emptive repair, the Licensee considered various factors including the lack of separation between the FOC and power cores, which made the power cores vulnerable to electrical interaction with the adjacent FOC cable; optical time domain reflectometry tests which had shown progressive losses of fibres over a period of two months; and the distributed temperature system, which had shown an increase of 25C when the cable was transmitting at full capacity.
- 4.7 The Licensee therefore began making immediate preparations for a cable repair in the knowledge that in relation to another OFTO, only two months had elapsed between the first fibre failures and the failure of the power core.
- 4.8 The Licensee also believed that undertaking a pre-emptive repair would result in lower repair costs and a shorter outage. The pre-emptive repair at Ormonde took only 38 days (even after various delays) whereas the repair of a similar cable type

at another OFTO following cable failure took more than 100 days.

4.9

[REDACTED]

4.10

[REDACTED]

4.11

[REDACTED]

4.12

[REDACTED]

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 Amended Standard Condition E12-J4, 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 is satisfied that the Licensee acted in accordance with Good Industry Practice.
- 5.2 Therefore, the Authority directs that the Licensee's reported system incentive performance be adjusted to offset the full duration of the outage: 134,498 MWh reported system incentive performance for incentive year 7 (beginning 1 January 2017).

