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Date: 3 June 2020

**DIRECTION UNDER PARAGRAPH 9 OF AMENDED STANDARD CONDITION E12-J4  
OF THE OFFSHORE TRANSMISSION LICENCE**

Whereas:-

1. WoDS Transmission plc (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. Unless otherwise defined, capitalised terms in this Direction and its annex shall have the same meaning given to them in the Licence.
3. In accordance with Paragraph 9 of the Amended Standard Condition E12-J4 (the Condition):
  - a. the Licensee considers that the two transmission service reductions on the Licensee's Transmission System commencing on 7 May 2019 and ending on 27 May 2019 and commencing on 2 June 2019 and ending on 20 June 2019 were caused by an Exceptional Event;
  - b. the Licensee notified the Gas and Electricity Markets Authority (the Authority) of the event which resulted in the two transmission service reductions 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-J1.

**The Office of Gas and Electricity Markets**

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4. In accordance with Paragraph 10 of the Condition, 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).
5. The Authority gave the required notice in accordance with Paragraph 11 of the Condition to the Licensee on 18 May 2020 (the Notice).
6. No representations were made by the Licensee in response to the Notice.

Now therefore:

7. The Authority directs that the Licensee's reported system incentive performance be adjusted to offset the full duration of the outage: reported system incentive performance for incentive year 5 (beginning 1 January 2019) will be increased by a combined total of 118,920 MWh to fully offset the impact of this event. This direction constitutes notice pursuant to section 49A(1)(c) of the Act.



**Jourdan Edwards**  
**Head of the OFTO Regime, Systems & Networks**

**Duly authorised by the Authority**

## ANNEX 1

### REASONS FOR ACCEPTANCE OF AN EXCEPTIONAL EVENT CLAIM SUBMITTED BY WODS TRANSMISSION PLC UNDER PARAGRAPH 9 OF AMENDED STANDARD CONDITION E12-J4

#### 1 Notification

- 1.1 On 5 October 2017, a sulphur hexafluoride (**SF<sub>6</sub>**) gas alarm was activated on the Licensee's assets at a gas zone located at the Heysham onshore substation related to circuit 2. Following this, on 18 October 2017, the Licensee notified the Authority of a potential Exceptional Event claim, in accordance with its offshore transmission licence (the **Licence**). On 18 April 2019, the Licensee confirmed that there would be related outages, and on 7 May and 3 June 2019 notified the Authority of events leading to Transmission Service Reductions.
- 1.2 The Licensee's claim, supported by the manufacturer's root cause analysis (**RCA Report**) and additional analysis conducted by an independent expert (**Independent Expert Report**), states that the root cause of the gas leaks was due to improper handling, fitting and sealing of the DN20 gas fittings and the improper application of the paint protection system<sup>1</sup>, at the installation of the equipment (together the **Trigger Event**). These issues meant that the gas fittings (including those that were not yet leaking) had not been sufficiently protected during installation and commission of the assets, leading to their corrosion.
- 1.3 The Licensee considers that it could not have known about the Trigger Event prior to asset transfer, as the due diligence process did not identify any problems with the manufacturing and installation records for the gas fittings. The Licensee states that it received no indication from the relevant equipment supplier that there was a risk of failure for the gas fittings prior to asset transfer. The view of the Licensee's equipment supplier is that this SF<sub>6</sub> leakage experience was unprecedented. The Licensee also notes that regular inspections have taken place since asset transfer, in line with the manufacturer's recommendations and the warranty requirements.
- 1.4 While the identified gas leaks were managed by temporarily topping up the gas levels, the RCA Report concluded that all DN20 gas fittings across the two circuits ultimately required replacement to avoid potential further leaks. The Independent Expert Report found the manufacturer's investigation to be robust, and the proposed response clear and comprehensive. The Licensee also has a legal obligation under the F-Gas Regulations<sup>2</sup> to repair the gas fittings without undue delay.
- 1.5 The Licensee was advised by the manufacturer that there was no alternative approach to the repair other than to take the WoDS circuit 1 and circuit 2 out of service resulting in Transmission Service Reductions.
- 1.6 The Licensee undertook pre-emptive repairs to replace all DN20 gas fittings and apply C3 paint protective sealing to the gas insulated switchgear equipment. This work required the evacuation of all SF<sub>6</sub> gas zones and outages for:

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<sup>1</sup> Improper sealing and defective paint protection system refers to the gas fittings not meeting the minimum C3 protective painting requirements to avoid corrosion.

<sup>2</sup> [Link](#) to legal obligation requiring Sulphur Hexafluoride (SF<sub>6</sub>) gas leaks to be repaired without delay

- 1.6.1 WoDS circuit 1: from 2 June 2019 to 20 June 2019 (19 days); and
- 1.6.2 WoDS circuit 2: from 7 May 2019 to 27 May 2019 (20 days)

resulting in a total service reduction of 118,920 MWh (together the Failure Events). The Licensee is seeking an adjustment to its reported system incentive performance to offset the full period of the Failure Events.

- 1.7 The Independent Expert Report concluded that the pre-emptive repairs undertaken by the Licensee were comprehensive and in accordance with Good Industry Practice. It also states that Good Industry Practice was demonstrated in the Licensee's ability to extensively plan to mitigate the duration of the outage, follow the prepared outage programmes, and ultimately in the successful replacement of the gas fittings.

## 2 Exceptional Event requirements

- 2.1. Paragraph 9 of the Amended Standard Condition E12-J4 (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:
  - 2.1.1. 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;
  - 2.1.2. the Licensee has notified the Authority that a possible Exceptional Event had occurred, within 14 days of its occurrence;
  - 2.1.3. the Licensee has provided such information as the Authority may require in relation to the event; and
  - 2.1.4. 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 circumstance are not considered to be beyond the reasonable control of the licensee."*

### **3 Decision**

- 3.1 Pursuant to subparagraph 9(d) of the Condition, the Authority is satisfied that the Failure Events taken together were 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 Events against the Licence and the open letter dated 22 October 2014.<sup>3</sup>
- 4.2 The Authority has determined to treat the two separate Failure Events, which share the same Trigger Event, as part of the same Exceptional Event claim. This is consistent with our previous approach in similar circumstances.<sup>4</sup>

#### *The Trigger Event occurred pre-asset transfer*

- 4.3 The Authority considers that when a Licensee takes on responsibility for an offshore transmission asset, it thereby assumes the normal operational risk for that asset. The assumption of normal operational risk means that a Licensee is responsible for operating the asset from the point of asset transfer, for maintaining the system and managing the risks arising from owning, operating and maintaining the asset. Faults arising purely from an asset's normal operation are not Exceptional Events, as per our decisions in previous claims.<sup>5</sup>
- 4.4 In respect of this claim, the Authority recognises that the Licensee has demonstrated that the Trigger Event occurred pre-asset transfer, when the Licensee had not yet assumed normal operational risk for the assets. The Authority also accepts that the Trigger Event could not reasonably have been discovered during the due diligence process. Therefore, we consider that the Trigger Event was beyond the reasonable control of the Licensee and should be treated as an Exceptional Event, which is consistent with previous decisions.

### **5 Authority's adjustment to the reported system incentive performance under Paragraph 10 of Amended Standard Condition E12-J4**

- 5.1 In accordance with Paragraph 10 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 events 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 events and obtained technical advice to inform its assessment.
- 5.2 The Authority is satisfied that the Licensee took reasonable steps consistent with Good Industry Practice for the following reasons: -

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<sup>3</sup> [Link](#) to the Exceptional Event Open Letter.

<sup>4</sup> [Link](#) to a Direction in respect of an Exceptional Event claim by Thanet OFTO Limited.

<sup>5</sup> [Link](#) to a Direction in respect of an Exceptional Event claim by Blue Transmission London Array Limited.

- 5.2.1 the legal obligation under the F-Gas Regulations to repair the defective assets required the Licensee to repair the gas fittings without undue delay.
- 5.2.2 This is the first time the Authority has considered an Exceptional Event claim including repairs for assets that are yet to show signs of damage; namely, those gas fittings in which a gas leak has not yet been identified. As such, the Authority has considered whether it is appropriate to accept the full availability adjustment encompassing the repair of all gas fittings (not only those leaking). Based on the findings in the RCA Report and Independent Expert Report, the Authority has accepted that the Trigger Event was likely to affect all gas fittings, and that if the undamaged gas fittings were not pre-emptively repaired, these assets were likely to have failed in the future.
- 5.2.3 In relation to the delay between the identification of the Trigger Event and the start of the pre-emptive repair, the Authority accepts that the evidence from the Licensee that the SF<sub>6</sub> gas leak issue was escalated to its equipment supplier and the manufacturer in a timely manner. The evidence illustrates that the Licensee followed the manufacturer's recommended repair procedures and timings, and that this process was supported by the Independent Expert Report. There is no evidence that the time that passed between the identification of the Trigger Event and pre-emptive repair impacted the length or scope of the Transmission Service Reductions.
- 5.3 The Authority is thus satisfied that Licensee took reasonable steps, consistent with Good Industry Practice, to manage the impact of the event (both in anticipation of the event and after the occurrence of the event) on its transmission services, and that the full adjustment should be made.
- 5.4 Therefore, the Authority directs that the Licensee's reported system incentive performance be adjusted to offset the full duration of the two Transmission Service Reductions: 118,920 MWh reported system incentive performance for incentive year 5 (beginning 1 January 2019), as follows:
- 2 June 2019 to 20 June 2019 56, 247.4 MWh
  - 7 May 2019 to 27 May 2019 62, 672.8 MWh