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Date: 28 January 2021

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

Whereas:-

1. Gwynt y Môr OFTO 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 Transmission Service Reduction on the Licensee's Transmission System, commencing on 13 July 2020 and ending on 31 July 2020 was caused by an Exceptional Event;
 - b. the Licensee notified the Gas and Electricity Markets Authority (the **Authority**) of the event which resulted in the Transmission Service Reduction 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 the Annex to this Direction, that the event notified under sub-paragraph (b) above constitutes an Exceptional Event as defined in Amended Standard Condition E12-J1.
4. In accordance with Paragraph 10 of the Condition, 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 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 December 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 8 (beginning 1 January 2020) will be increased by a combined total of 124,670 MWh to fully offset the impact of this event.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jourdan Edwards', written over a horizontal line.

Jourdan Edwards
Head of the OFTO Regime, Networks

Duly authorised by the Authority

ANNEX

REASONS FOR ACCEPTANCE OF AN EXCEPTIONAL EVENT CLAIM SUBMITTED BY GWYNT Y MÔR OFTO PLC UNDER PARAGRAPH 9 OF AMENDED STANDARD CONDITION E12-J4

1 Notification

- 1.1 On 13 July 2020, Gwynt y Môr OFTO plc (the **Licensee**) notified the Authority that there had been a Transmission Service Reduction on one of its export cables. The Transmission Service Reduction ran from 13 July 2020 to 31 July 2020.
- 1.2 The Licensee submitted an Exceptional Event claim to the Authority on 23 September 2020.

2 Exceptional Event requirements

- 2.1. Paragraph 9 of 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:
 - a) the licensee considers that an 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, any 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 provided 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 The Licensee has acted in accordance with the requirements of subparagraphs 9(a) to (c) of the Condition. Pursuant to subparagraph 9(d) of the Condition, the Authority is satisfied that the Transmission Service Reduction was caused by 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 against both the Licence and the open letter dated 22 October 2014 (the **Open Letter**).
- 4.2 On 13 July 2020, the Licensee undertook a pre-emptive repair of the cable sealing ends (**CSE**) on Circuit 1. The Licensee provided independent technical analysis that determined the root cause of the event was the result of low oil pressure caused by (i) a failure of the tape within the terminations of the CSEs in respect of the Red (L1) and Yellow (L2) Phases of Circuit 1, and (ii) a flat on the O ring within the CSE of the Blue (L3) Phase of Circuit 1.
- 4.3 The report compiled by the technical adviser states that the *"oil leakage observed on both the Red and Yellow phases of the ODSEs on Circuit 1 were due to movement of the PIB tape applied over the ...cables.*
- The root cause [of] the Red and Yellow phases of Circuit 1 was the same root cause as that found on Bodelwyddan Circuit 2 Blue phase, in September 2019."*
- 4.4 In respect of the Blue Phase of Circuit 1, the technical adviser confirmed that the flat observed on the O ring was determined to be *"...the source of the oil leakage on the top of the blue phase ODSE"*.
- 4.5 In addition, the Licensee confirmed in its claim document that there *"is no routine maintenance intervention that the OFTO could have undertaken to avoid this event occurring"*.
- 4.6 We agree that given the nature and location of the faults on the Red, Yellow and Blue Phases of Circuit 1, such faults would not likely have been prevented by the routine maintenance undertaken by the Licensee's O&M contractor during the normal course of operations.
- 4.7 Given the technical analysis and explanation provided, we accept that the Licensee could not reasonably have been expected to identify the fault during the due diligence process prior to asset transfer. As such, we are satisfied that the root cause of this event did in fact occur before asset transfer and was beyond the reasonable control of the Licensee. We therefore consider that the claim constitutes an Exceptional Event within the terms of the Licence and the Open Letter.

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 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 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 Transmission Service Reduction: 124,670 MWh reported system incentive performance for incentive year 8 (beginning 1 January 2020), as follows:

- 13 July 2020 to 31 July 2020 – 124,670 MWh