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Date: 06 June 2024

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

Whereas:-

1. Diamond Transmission Partners Hornsea Two 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. 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 Amended Standard Condition E12-J4 (the **Condition**):
 - (a) the Licensee considers that the Event causing the Transmission Service Reduction on the Licensee's Transmission System that occurred from 02 August 2023 to 04 September 2023 was wholly or partially caused by an Exceptional Event (as defined in Amended Standard Condition E12-A1 of the Licence);
 - (b) the Licensee notified the Gas and Electricity Markets Authority (the **Authority**) of the reduction in system availability within the 14-day period required by the Licence;
 - (c) the Licensee has provided details of the reduction in system availability that the Licensee considers resulted from the Exceptional Event and further information requested by the Authority; 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.
4. The Authority has considered the information provided by the Licensee and the report from an independent examiner, RINA Tech UK Limited, who undertook root cause analysis of the fault. Based on the evidence provided, our conclusion is that the root cause of the event was beyond the reasonable control of the Licensee, and that the Licensee could not have reasonably identified the fault in the

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absence of clear outward signs of distress prior to the trigger event. We therefore consider that the claim constitutes an Exceptional Event within the terms of the Licence and both our open letter of 22 October 2014 and our revised open letter of 04 January 2024 (the **Open Letters**) on the evaluation of exceptional events.^{1,2}

5. The Authority gave the required notice in accordance with Paragraph 11 of the Condition to the Licensee on 17 May 2024 (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 1 will be increased by a combined total of 156,431 MWh to fully offset the impact of this event.

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

Yours sincerely,



Yvonne Naughton
Head of OFTO Licencing and Compliance

Duly authorised by the Authority

¹ Link to [Open letter on the Authority's approach towards exceptional events for offshore transmission owners | Ofgem](#) (22 October 2014)

² Link to [Open letter on the Authority's approach towards Exceptional Events for offshore transmission owners \(OFTOs\) | Ofgem](#) (04 January 2024)

ANNEX

THE AUTHORITY'S DECISION ON AN EXCEPTIONAL EVENT CLAIM SUBMITTED BY DIAMOND TRANSMISSION PARTNERS HORNSEA TWO LIMITED UNDER AMENDED STANDARD CONDITION E12-J4

1 Notification

- 1.1 On 07 August 2023, the Licensee notified the Authority that there had been a Transmission Service Reduction on offshore export cables. The Transmission Service Reduction ran from 02 August 2023 to 04 September 2023.
- 1.2 The Licensee submitted an Exceptional Event claim to the Authority on 21 December 2023.

2 Exceptional Event requirements

- 2.1. Paragraph 9 of Amended Standard Condition E12-J4 Condition (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-A1 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 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 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 Letters.
- 4.2 The unplanned outage running from 02 August 2023 to 04 September 2023 occurred due to a failure of the Far Shore North West (**FSNW**) export cable L2 phase power core (the **Failure Event**).
- 4.3 The Licensee provided us with a report of the independent examination from RINA Tech UK Limited. The report details the root cause analysis of the Failure Event.
- 4.4 The Licensee considers that the root cause of the Failure Event was due to overtightening and subsequent loosening of the cable screen clamp. This resulted in insufficient contact pressure and a high electrical resistance between the screen clamp arrangement and the lead sheath. The Licensee states that "*the cable screen clamp was incorrectly installed by the installation contractor NKT*". The Licensee provided a root cause analysis report, produced by RINA Tech UK Ltd. Our technical advisor agrees that the details of this report are consistent with the description provided by the licensee regarding the root cause of the Failure Event.
- 4.5 The Licensee considers that the event was beyond their reasonable control as there were no outward signs of distress or defects in the FSNW export cable. The Licensee states that they had "*adequate systems, plans and processes in place to monitor the operation of the transmission assets including distributed temperature sensing monitoring*".
- 4.6 The Licensee explained that the available information from the windfarm developer prior to asset transfer on 20 July 2023 did not contain any manufacturing and installation records which would have indicated any technical issues with the cable and cable screen clamp. Furthermore, the Licensee stated that "*There was no indication that the Developer of the assets was aware that the FSNW export cable had any defect.*" As such, the Licensee considers that they could not have reasonably known or acted to prevent the Failure Event.
- 4.7 We accept that the Licensee could not have reasonably known about the incorrect installation of the cable screen clamp performed by its original equipment manufacturer and installer (**NKT**).
- 4.8 Based on the evidence provided, the Authority concludes that the Licensee could not reasonably have been expected to identify the incorrect installation of the cable screen clamp during the technical due diligence process prior to asset transfer as:
- a) The incorrect installation of the cable screen clamp by NKT was not disclosed to the OFTO; and
 - b) There were no outward signs of distress to the equipment in the FSNW export cable that could have been identified between the time of asset transfer on 20 July 2023 and the Failure Event on 02 August 2023.
- 4.9 Therefore, based on the information provided by the Licensee, we consider that the failure of the FSNW export cable L2 phase power core constituted an Exceptional Event. We also considered whether the Licensee followed Good Industry Practice warranting an adjustment to reported system incentive performance in the way in which they (i) established the cause of the fault (ii) manage the impact of the event after it had occurred, and (iii) restored the asset after the outage occurred.

- 4.10 Transmission services were fully restored on 04 September 2023.
- 4.11 In accordance with Paragraph 10 of the Condition, where the Authority is satisfied that an Exceptional Event has occurred, the adjustment to the value of the monthly capacity weighted unavailability 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).
- 4.12 We consider that the Licensee acted promptly and in accordance with Good Industry Practice to manage the impact of the event and restore transmission services to full capacity.
- 4.13 Therefore, the Authority directs that the value of the Licensee's monthly capacity weighted unavailability be adjusted to offset the full duration of the outage: reported system incentive performance for incentive year 1 will be increased by 156,431 MWh to fully offset the impact of this event.