

Offshore Transmission Owners  
(OFTOs), preferred bidders and  
other interested parties

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Date: 28 March 2014

Dear colleague,

**Decision on changes to the regulatory instructions and guidance described by Amended Standard Condition E12 – D1 of the offshore transmission licence for licences granted in transitional tender round 2 (TR2)**

On 17 December 2013 we published an open consultation letter<sup>1</sup> outlining our proposed regulatory instructions and guidance (RIGs)<sup>2</sup> for TR2 projects. This open consultation letter set out the proposed RIGs, the reasons for publishing these RIGs, specified that any representations should be made on or before 14 February 2014 and said that the RIGs will be applicable to the regulatory reporting for the period from 1 April 2013 to 31 March 2014. This letter contains the decision following that consultation.

The draft RIGs consulted on apply to the licensee of a licence granted in TR2. The existing RIGs published on 26 April 2013 and updated today, in parallel, continue to apply to licensees in respect of licences granted under transitional tender round 1 (TR1). The reason for having separate RIGs applying to licensees for TR1 and TR2 projects is that the licence revenue formulae differ. Each offshore transmission owner (OFTO) for TR2 projects will be obliged to report as required by the new RIGs from the date of licence grant. These RIGs for TR2 are published alongside this letter.

Representations and our decision

We received one response to our consultation. The response highlighted some areas where the reporting workbook was unclear, particularly in sheets '1' (cell A13), '2' (cell A13), '5a', '5b' and '5c' of the reporting workbook. Where possible, we have included the suggestions made in the response in the version of the RIGs published today in order to make the reporting workbook more user-friendly. These changes do not change the reporting requirements. The response also requested clarification on completing sheet '4a', particularly in respect of partial years. This clarification has been added to the RIGs document in chapter 3 under the heading "Sheet 4a Monthly performance incentive calculations". This does not change the reporting requirements, but provides further guidance to assist users in completing sheet '4a' of the reporting workbook. Details of the changes made pursuant to this response are listed Appendix 1 to this letter. We consider

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<sup>1</sup> In accordance with paragraph 13 of Amended Standard Condition E12 – D1 of the Offshore Transmission Licence

<sup>2</sup>The consultation open letter can be found here:

<https://www.ofgem.gov.uk/ofgem-publications/85196/oftrigsconsultationletterfinal.pdf>

that these changes do not require further consultation as they do not change the reporting requirements and are made solely for clarity and ease of use by licensees.

Two items raised in the response have not been included in the RIGs. The respondent suggested that a forecast inflation rate should be added as an input in sheet '1'. We have decided not to include this as we believe the associated formula and explanation required may be misleading for some users, particularly with regard to making the formula only work for forecast data and not actual data. The respondent also suggested that we clarify the reporting period more closely. However, the reporting period is already defined in the Licence as the year ending on 31 March each year. In the year of licence grant the reporting period will still be from 1 April but may not include any transactions between 1 April and the date of licence grant. We believe that this provides sufficient clarity in respect of the reporting period.

In addition to the amendments suggested in the response, we have made a few other minor amendments to correct: (i) the formula in cell F31 in sheet '1', and (ii) formatting errors in sheets '3a', '3c', '6' and '7'. Details of these amendments are provided in Appendix 1. We consider that these are minor housekeeping changes which do not require further consultation.

We have made the modifications set out in Appendix 1 to the RIGs published in the consultation of 17 December 2013. We have published the Direction modifying the RIGs and the modified RIGs alongside this letter. The effective date for the modifications to the RIGs is 1 April 2014.

For more information regarding this decision letter or the Direction, please contact in the first instance Neil Roberts, Senior Manager, Financial Analysis, by email on [Neil.Roberts@ofgem.gov.uk](mailto:Neil.Roberts@ofgem.gov.uk).

Yours faithfully

**Min Zhu**

**Associate Director, Offshore Transmission  
For and on behalf of the Authority**

## Appendix 1 Changes to the RIGs

### Offshore Transmission Regulatory Instructions and Guidance: Transitional Tender Round 2

Reference	Change
Chapter 3	New text added under the heading "Sheet 4a Monthly performance incentive calculations". This new text provides further clarification to assist users in completing sheet '4a' of the reporting workbook.

#### Reporting Workbook – combined for both revenues and costs

Worksheet	Change
Sheet '1'	<p>In the consultation version of the spreadsheet Cell A13 was displaying the text 'FALSE'. This is linked to the 'Reviewed' tick box in cell A12 and changes between 'TRUE' and 'FALSE' depending on whether the 'Reviewed' box has been ticked. This text does appear in cell A13 on the other sheets but the text has been coloured white so it cannot be easily seen. To be consistent the text colour in cell A12 on sheet '1' has now also been changed to white.</p> <p>Cell F31 the formula has been adjusted to count the number of days between the start of the commencement relevant year (cell G51) and the asset transfer date (cell G53) rather than base date (cell 54) which the consultation version showed.</p>
Sheet '2'	In the consultation version of the spreadsheet Cell A13 was displaying the text 'FALSE'. This is linked to the 'Reviewed' tick box in cell A12 and changes between 'TRUE' and 'FALSE' depending on whether the 'Reviewed' box has been ticked. This text does appear in cell A13 on the other sheets but the text has been coloured white so it cannot be easily seen. To be consistent the text colour in cell A12 on sheet '2' has now also been changed to white.
Sheets '3a', '3c'	The 'Reviewed' tick box which should be ticked once each sheet has been checked prior to submission was not appearing on all sheets. It has now been added to cell A12 of sheets '3a' and '3c'.
Sheet '5a'	Columns H 'Exclusion Requested' and J 'Exclusion Approved by Authority' have drop down boxes but the list of options was not populated in the consultation version of this spreadsheet. This has now been done. Values 'Yes', 'No', 'N/A' can now be selected. The source data can be found in cells P9:P11. Please note, column P is hidden.
Sheet '5b'	Columns H 'Exclusion Requested' and J 'Exclusion Approved by Authority' have drop down boxes but the list of options was not populated in the consultation version of this spreadsheet. This has now been done. Values 'Yes', 'No', 'N/A' can now be selected. The source data can be found in cells P9:P11. Please note, column P is hidden.
Sheet '5c'	Columns G 'Outage Type (Planned/ Unplanned)', I 'Exclusion Requested' and K 'Exclusion Approved by Authority' have drop down boxes but the list of options were not populated in the consultation version of this spreadsheet. This has now been done. Values 'Planned' and 'Unplanned' can now be selected for column G and values 'Yes', 'No', 'N/A' can now be selected for columns I and K. The source data can be found in cells Q9:P11. Please note, columns Q and R are hidden.
Sheet '6'	The 'Reviewed' tick box which should be ticked once each sheet has been checked prior to submission was not appearing on all sheets. It has now been added to cell A12 of sheet '6'.
Sheet '7'	The formulas in cells J14 and K14 were linked to another workbook. They have now been updated and the formulas now refer to row 38 'Availability Factor term (%)' in sheet '2'.