

CUSC Modification Proposal Form

CMP304:

Improving the Enhanced Reactive Power Service by making it fit for purpose

Overview: This modification seeks to enable reforms to commercial Reactive Power services that, in the Proposer's view would create new opportunities for providers.

Modification process & timetable



Status summary: The Proposer has raised a modification and is seeking a decision from the Panel on the governance route to be taken.

This modification is expected to have a: Medium impact

On National Grid ESO and providers of reactive power.

Proposer's recommendation of governance route	Standard Governance modification with assessment by a Workgroup	
Who can I talk to about the change?	Proposer: Garth Graham, SSE Generation Ltd Garth.graham@sse.com Phone: 01738 456000	Code Administrator Contact: Lurrentia Walker Lurrentia.walker@nationalgrideso.com Phone: 07976 940855

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What is the issue?

Information provided by the ESO identified that in its current form the Enhanced Reactive Power Service (ERPS) has resulted in no tenders being accepted by the ESO since 2009 and no tenders being received from market participants since 2011.

The ERPS has required long-term commitment, which exposed providers of the service on that basis to risk. The current arrangements have not been reviewed since their original design in the early 1990s and are designed based on performance and operating costs of thermal plant. The requirement for Reactive Power absorption has consistently increased for the last 10 years and the ESO forecasts¹ show this will continue.

Therefore, the Proposer argues there is a need for an ERPS product that considers shorter durations and takes account of market practicalities.

Why change?

The view of the Proposer is that the current ERPS product is of limited use to the ESO or market participants. The existing tender requirement of a minimum 12-month commitment period is believed by the Proposer to not provide an incentive for market participants to tender for ERPS. This may expose providers to risk as it offers very little flexibility for all potential providers.

Addressing this defect should help towards making the ERPS a more fit for purpose product that the ESO can utilise to meet their increasing need for Reactive Power. The ESO is expected to be able to procure this service in an economically efficient and proportionate way whilst ensuring that this product also remains a viable option. This is key in order to adequately incentivise potential market participants wishing to compete to provide this service.

What is the proposer's solution?

Proposer's solution

Current arrangements for non-obligatory Reactive Power Services are based around a twelve-month minimum ERPS product; however, the CMP304 solution is looking to reduce the period of the product from twelve months, including having the possibility of multiple period products for ERPS, which range from within day, through day ahead, weekly, monthly etc., to six monthly.

At this stage, the Proposer does not wish to preclude options as to which of the timing for the product(s) will be developed further by the Workgroup and will seek industry views as part of the Workgroup Consultation as to which of these timeframes will be taken forward.

Draft legal text

Legal text to be drafted at Workgroup stage.

¹ <https://www.nationalgrideso.com/news/operability-strategy-report-2022> (ESO Operability Strategy - pages 47 - 48)

What is the impact of this change?

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	Neutral [Please provide your rationale]
(b) Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	Positive (see below)
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	Neutral [Please provide your rationale]
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive (see below)
*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).	

Making ERPS a fit for purpose product that the System Operator can utilise to meet their increasing need for reactive power in a reasonable, efficient and proportionate way and ensuring that it is a product that existing and potential market participants wish to compete to provide will facilitate competition in the generation and supply of electricity, which better facilitates Applicable Objective (b).

Reviewing, refreshing and modernising the current ERPS arrangements in the CUSC will make them fit for purpose (and lead to more providers coming forward which will maximise competition in the provision of reactive power, so better facilitates Applicable Objective (b)) which will promote efficiency in the implementation and administration of the CUSC arrangements which better facilitates Applicable Objective (d).

When will this change take place?

Implementation date

10 working days after Authority Decision. However, a transition period for IT systems for the ESO and participants for tender participation will be required. This will be of a number of months duration, which the Workgroup will examine in due course.

Date decision required by

As soon as possible.

Implementation approach

Dependant on the Proposer's final solution, there could be IT and operational impacts for the ESO.

Proposer's justification for governance route

Governance route: Standard Governance modification with assessment by a Workgroup.

Interactions

- | | | | |
|--|--|--|--------------------------------|
| <input type="checkbox"/> Grid Code | <input type="checkbox"/> BSC | <input type="checkbox"/> STC | <input type="checkbox"/> SQSS |
| <input type="checkbox"/> European
Network Codes | <input type="checkbox"/> EBR Article 18
T&Cs ² | <input checked="" type="checkbox"/> Other
modifications | <input type="checkbox"/> Other |

This modification has interactions with [CMP305 'Removal of the Enhanced Reactive Power Service \(ERPS\)'](#). CMP305 was [sent back](#) by the Authority on 1 February 2019. The Final Modification Report for CMP305 will be resubmitted to the Authority alongside the Final Modification Report for CMP304.

Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
EBR	Electricity Balancing Regulation
STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions

Reference material

- Add links to reference material

² If your modification amends any of the clauses mapped out in Exhibit Y to the CUSC, it will change the Terms & Conditions relating to Balancing Service Providers. The modification will need to follow the process set out in Article 18 of the Electricity Balancing Guideline (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.