

Workgroup Consultation Response Proforma**CMP418: Refine the allocation of Dynamic Reactive Compensation Equipment (DRCE) costs at OFTO transfer.**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to cusc.team@nationalgrideso.com by **5pm** on **22 JANUARY 2024**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact cusc.team@nationalgrideso.com

Respondent details	Please enter your details	
Respondent name:	Ryan Ward	
Company name:	Scottishpower Renewables	
Email address:	Ryan.Ward@Scottishpower.com	
Phone number:	+44 7818 538595	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network <input type="checkbox"/> Operator <input checked="" type="checkbox"/> Generator <input type="checkbox"/> Industry body <input type="checkbox"/> Interconnector	<input type="checkbox"/> Storage <input type="checkbox"/> Supplier <input type="checkbox"/> System Operator <input type="checkbox"/> Transmission Owner <input type="checkbox"/> Virtual Lead Party <input type="checkbox"/> Other

I wish my response to be:

(Please mark the relevant box)

☒ Non-Confidential☐ Confidential

Note: A confidential response will be disclosed to the Authority in full but, unless agreed otherwise, will not be shared with the Panel or the industry and may therefore not influence the debate to the same extent as a non-confidential response.

For reference the Applicable CUSC (charging) Objectives are:

- a. *That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;*
- b. *That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);*

- c. *That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;*
- d. *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and*
- e. *Promoting efficiency in the implementation and administration of the system charging methodology.*

**The Electricity Regulation referred to in objective (d) is Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) as it has effect immediately before IP completion day as read with the modifications set out in the SI 2020/1006.*

Please express your views in the right-hand side of the table below, including your rationale.

Standard Workgroup Consultation questions		
1	Do you believe that the Original Proposal better facilitates the Applicable Objectives?	<div>Mark the Objectives which you believe the Original Proposal better facilitates:</div> <div>Original <input checked="" type="checkbox"/>A <input checked="" type="checkbox"/>B <input type="checkbox"/>C <input type="checkbox"/>D <input type="checkbox"/>E</div> <div> Objective A – Positive Amending the methodology to socialise the DRCE cost within the residual tariff will reduce the already substantial TNUoS charge faced by generators. The change will encourage competition between offshore and onshore windfarms by levelling the revenue opportunity from providing voltage control services, which is currently only available to onshore generators. </div> <div> Objective B – Positive The proposed change results in a use of charging methodology where offshore generators no longer face an offshore local circuit charge inclusive of DRCE assets. These assets are required by the OFTO to comply with their mandatory reactive compensation requirements, and should not be recovered via the generator. </div> <div> Objective C, D & E – Neutral </div>
2	Do you support the proposed implementation approach?	<div><input checked="" type="checkbox"/>Yes</div> <div><input type="checkbox"/>No</div> <div>Yes, proposed implementation approach seems reasonable.</div>

3	Do you have any other comments?	N/A
4	Do you wish to raise a Workgroup Consultation Alternative Request for the Workgroup to consider?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No N/A

Specific Workgroup Consultation questions

5	In regard to the ongoing DRCE operation and maintenance costs, is a value of 1.5% the value used for onshore price control, an appropriate value?	<input type="checkbox"/> Yes <input type="checkbox"/> No 1.5% annual operation and maintenance cost seems to be a reasonable assumption, unless there is further analysis available to support an alternative.
6	Do you agree the solution should apply to existing relevant windfarms from the implementation going forward from the next charging period after implementation, and should not be applied retrospectively?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Yes, ideally any developer who has recently concluded an OFTO transaction would have their past tariffs adjusted accordingly. However, we recognise that tariffs are not opened retrospectively and believe that the proposal should be applied to all offshore local circuits going forward from the proposed implementation date.