

First Panel Recommendation Vote

The Panel met on the 26 April 2024 to carry out their recommendation vote. They assessed whether a change should be made to the CUSC by assessing the proposed change and any alternatives against the Applicable Objectives.

Vote 1: Does the Original facilitate the objectives better than the Baseline?

Panel Member: **Andrew Enzor**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Neutral	Yes
Voting Statement						
<p>The Original solution will better facilitate ACO(a) by better aligning arrangements between onshore and offshore generators. Current arrangements put offshore generators at a relative disadvantage through being required to fund DRCE without earning ORPS revenue. Removal of that relative disadvantage will be beneficial for competition.</p> <p>No impact on all other objectives.</p>						

Panel Member: **Andy Pace**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	No	No	Neutral	Neutral	Neutral	No
Voting Statement						
<p>This mod proposes to move the cost of DRCE from the OFTO into wider TNUoS. The rationale is that the DRCE is in place to benefit consumers and therefore consumers should be liable for the cost of the DRCE.</p> <p>The impact of this change would mean an increase in TNUoS for consumers via a higher TDR. We assess this mod as negative against charging objective (a) and (b) and neutral against the rest. This is because the cost associated with the DRCE is due to the presence of the OFTO and therefore it would seem reasonable for the OFTO to face the liability associated with it. When bidding in to any CfD auctions, we would expect this cost to form part of the bid and result in the most efficient auction result as the auction would take account of all costs associated with the generator. We therefore do not believe that moving this cost onto consumers would either improve competition (a) or improve the cost reflectivity of TNUoS (b). There is also a risk of windfall gains where the costs associated with DRCE have already been priced into CfD bids.</p>						

Panel Member: **Binoy Dharsi**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement						

It is not abundantly clear from the modification where the reactive revenue the OFTO receives actually goes? The modification does provide a fairer set of arrangements between onshore and offshore and therefore satisfies CUSC Objective e) and is therefore better than baseline.

Panel Member: **Christian Parsons**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Yes	Yes

Voting Statement

NESO believes that the Original better facilitates the objectives than the current CUSC baseline. The mod seeks to recognise in the approach to charging, the broader benefits that DRCE could provide to the onshore system.

Panel Member: **Garth Graham**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Yes	Yes	Neutral	Neutral	Yes	Yes

Voting Statement

No statement provided.

Panel Member: **Joe Colebrook**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	No	No	Neutral	Neutral	No	No

Voting Statement

The equipment is only required due to offshore generators connecting to the OFTO, if the offshore generator did not exist the equipment would not be built and therefore it seems appropriate to keep the Dynamic Reactive Compensation Equipment (DRCE) cost on the local circuit tariff. Cost-reflectivity will be reduced as the specific cost per project is passed on via the TDR.

The proposer states that the DRCE for onshore generators is compensated through Obligatory Reactive Power Service (ORPS), although the proposer does not state if the full operational and capital cost of onshore generator DRCE is compensated by OPRS. It is clear DRCE for onshore Generators is not paid for by final demand and therefore this code modification would still mean onshore and offshore generation is treated differently whilst reducing cost reflectivity.

This modification shifts costs from generation to final demand and will differentiate between generators (including existing versus future offshore generators). This creates additional distortions in the market.

The proposer has not demonstrated a clear benefit to consumers and the analysis provided on the consumer impact via increases in the Transmission Demand Residual (TDR) is high level with no numerical analysis to show the expected change to the TDR.

Panel Member: **Joseph Dunn**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
Voting Statement						
<p>The original proposal results in Dynamic Reactive Compensation Equipment (DRCE) costs being socialised as part of the Transmission Demand Residual (TDR). DRCE assets are deployed to support delivering the NESO's voltage control requirement ($\pm 10\%$), providing wider system benefits for the network. Recovery of the DRCE assets cost via the TDR improves upon status quo arrangements. The proposal helps ensure for equal treatment between onshore and offshore generators and better facilitates competition through a more level playing field. This change will support future offshore wind projects and helps to meet the 2030 offshore wind target of 50GW. Objective B – Positive</p> <p>A discrepancy exists under the existing arrangements for onshore and offshore generator's treatment of DRCE equipment.</p> <p>The proposal better facilitates against Objective B by ensuring for a fairer and more consistent commercial environment. This change going forward would prevent offshore generators being adversely impacted from the inclusion of the DRCE costs within their local circuit tariffs, a tariff which is paid for over the lifetime of the asset.</p> <p>Objectives C, D & E – Neutral</p>						

Panel Member: **Kyran Hanks**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Yes	Yes	Neutral	Neutral	Neutral	Yes
Voting Statement						
<p>Opinion from the workgroup and the consultation responses are that offshore and onshore windfarms are being treated differently. This proposal seeks to address that difference – for which no justification has been raised. As such, the proposal should enhance competition between offshore and onshore generators.</p>						

Panel Member: **Paul Jones**

	Better facilitates AO (a)?	Better facilitates AO (b)?	Better facilitates AO (c)?	Better facilitates AO (d)?	Better facilitates AO (e)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Neutral	Neutral	Yes
Voting Statement						
<p>The modification addresses the issue for new and prospective Users which they can reflect in lower bids for Contracts for Differences as outlined in the Modification Report. However, for existing CfD parties this effect cannot occur, as the CfD price they are paid cannot be retrospectively adjusted to reflect the reduction in their costs which will occur as a result of the modification, so for these Users the change will deliver a windfall. On balance therefore, the Modification better meets the objectives than the baseline, but only marginally</p>						

Vote 2 – Which option is the best?

Panel Member	BEST Option?	Which objectives does this option better facilitate?
Andrew Enzor	Original	A
Andy Pace	Baseline	N/A
Binoy Dharsi	Original	E
Chris Parsons	Original	A and E
Garth Graham	Original	A, B and E
Joe Colebrook	Baseline	N/A
Joseph Dunn	Original	A and B
Kyran Hanks	Original	A and B
Paul Jones	Original	A