

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:	Mark Fitch	
Company name:	Transmission Capital Services	
Email address:	Mark.fitch@tinv.com	
Phone number:	07789650302	
Which best describes your organisation?	<input type="checkbox"/> Consumer body <input type="checkbox"/> Demand <input type="checkbox"/> Distribution Network Operator <input 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 checked="" 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?	Mark the Objectives which you believe the Original Proposal better facilitates:
		Original <input type="checkbox"/> A <input type="checkbox"/> B <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E
		<p>Neutral on Objectives other than Negative on Objective B.</p> <p>The current charging arrangements reflect the historical expectation that generators are obligated to provide reactive services in compliance with the Grid Code, which for Offshore generators was generally provided through onshore plant and equipment – although has been all / partially provided through WTGs on some projects. Changing the charging arrangement, so that these costs are socialised rather than directed to the party that 'triggers' them, means these could be considered transmission assets, rather than operated solely for the benefit of the OWF. CM085 has sought to exploit these assets for wider system purposes and that may reach beyond the original design and operational envelope that would typically be assumed by the developer. Moving this to be fully socialised would require the OWF to design in the capability that the ESO would require from the assets over the lifetime for these assets or remove the requirement from the OFTO. This potentially complicates the transaction in the current Developer-build model, where the OFTO would need to seek assurance from the Developer that the DCRE is capable of operating to the expected capabilities from the ESO – essentially a larger potential envelope than that required to be met by the OFTO under Developer-build. This creates an interface issue which would be avoided in an OFTO-build model, which could</p>

		develop the transmission assets in line with the strategic developments needs to provide for the long-term voltage control needs for the whole system, beyond the specific Developer's obligations and minimum requirements, noting this removes an incentive and ability to economically and efficiently achieve the MVar balance, which is currently a function of WTGs, fixed reactive and dynamic reactive.
2	Do you support the proposed implementation approach?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Click or tap here to enter text.
3	Do you have any other comments?	Click or tap here to enter text.
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 Click or tap here to enter text.

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 There is insufficient evidence provided to understand the origins of the figure within the consultation, or the definition of what activities it is intended to cover, e.g. preventative maintenance only, or all operations and maintenance activities.
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 type="checkbox"/> No