

# CUSC Alternative and Workgroup Vote

## **CMP418: Refine the allocation of Dynamic Reactive Compensation Equipment (DRCE) costs at OFTO transfer**

**Please note:** To participate in any votes, Workgroup members need to have attended at least 50% of meetings.

### **Stage 1 - Alternative Vote**

If Workgroup Alternative Requests have been made, vote on whether they should become Workgroup Alternative CUSC Modifications (WACMs).

### **Stage 2 - Workgroup Vote**

- 2a) Assess the original and WACMs (if there are any) against the CUSC objectives compared to the baseline (the current CUSC).
- 2b) Vote on which of the options is best.

## **Terms used in this document**

<b>Term</b>	<b>Meaning</b>
Baseline	The current CUSC (if voting for the Baseline, you believe no modification should be made)
Original	The solution which was firstly proposed by the Proposer of the modification
WACM	Workgroup Alternative CUSC Modification (an Alternative Solution which has been developed by the Workgroup)

## **The Applicable CUSC Objectives (Charging) 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

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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.

## Workgroup Vote

### Stage 1 – Alternative Vote

Vote on Workgroup Alternative Requests to become Workgroup Alternative CUSC Modifications.

*The Alternative vote is carried out to identify the level of Workgroup support there is for any potential alternative options that have been brought forward by either any member of the Workgroup OR an Industry Participant as part of the Workgroup Consultation.*

*Should the majority of the Workgroup OR the Chair believe that the potential alternative solution may better facilitate the CUSC objectives than the Original proposal then the potential alternative will be fully developed by the Workgroup with legal text to form a Workgroup Alternative CUSC modification (WACM) and submitted to the Panel and Authority alongside the Original solution for the Panel Recommendation vote and the Authority decision.*

“Y” = Yes

“N” = No

“-“ = Neutral (Stage 2 only)

“Abstain”

**No Workgroup Alternatives were raised.**

### Stage 2a – Assessment against objectives

To assess the Original against the CUSC objectives compared to the Baseline (the current CUSC).

You will also be asked to provide a statement to be added to the Workgroup Report alongside your vote to assist the reader in understanding the rationale for your vote.

ACO = Applicable CUSC Objective

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Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
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Alan Kelly – Corio Generation

Original	y	y	-	-	-	y
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**Voting Statement:**

ACO(a) - This proposal better facilitates competition because it corrects a commercial defect in the treatment of offshore and onshore wind farms arising from the current charging methodology.

As it stands both onshore and offshore wind generators are faced with the costs of providing DRCE equipment to enable voltage control by the system operator. However, only the onshore generator can recover revenue from providing this service through the Obligatory Reactive Power Service (ORPS). This proposal seeks to bring a level of parity by removing the burden of cost from the offshore generator of certain DRCE. It does not seek to open up the ORPS to offshore as the ownership of the DRCE is passed to the OFTO as part of the OFTO transaction. As a transmission licence holder, the OFTO is also restricted from participating on the ORPS.

ACO(b) -The proposal also better facilitates the costs incurred by transmission licensees in that it recovers the costs from all Users rather than only the generator. This is appropriate as DRCE is effectively shared transmission infrastructure the costs of which is typically socialised across Users. Moving the DRCE charge from the local circuit tariff to the onshore s/s tariff which is shared across all users thereby correcting this defect.

ACO(c) – The proposal is neutral in regard to the developments in transmission licensees’ transmission businesses. This is because there is no material impact on the OFTO as they still receive the same revenue for the capital and maintenance cost of the DRCE which is provided through the TRS as it currently is. This is also consistent with the onshore TO’s who receive are also obliged to provide reactive compensation capability and are remunerated for this through their base revenue.

ACO(d) – The proposal is also neutral against the Electricity Regulation as it makes no significant change to achieving compliance.

ACO(e) – The proposal is neutral in terms of efficiency in the implementation and administration of the system charging methodology as the required changes to the methodology appear to be straightforward to implement and present little change to the existing process.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
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Calum Duff – Thistle Wind Partners

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Original	<b>y</b>	<b>y</b>	-	-	-	<b>y</b>
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**Voting Statement:**

This modification if passed, would better facilitate the baseline for objectives A and B, we support the original Proposer’s statement that this works to level the playing field between offshore generators against other forms of generation, and better aligns to the OFTO operation with current grid needs and benefits to the system. We do not foresee any impact in areas C and D, we note that there will be an influence on E as it adds additional complexity in the determination of the allowance assigned however, we do not see this as overly detrimental to the effective implementation and administration of the methodology.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Damian Clough – SSE Generation						
Original	<b>y</b>	<b>y</b>	-	-	-	<b>y</b>

**Voting Statement:**

ACO(a) - Currently Onshore Generation build DRCE in compliance with Connection Conditions. It works slightly different offshore, but the Offshore Generator stills end up paying for these assets through Local Charges. Onshore the Generator can offset these costs through Balancing Services revenues, which is not an option available to the Offshore Generator. This modification therefore helps to create a level playing field between new Offshore and Onshore Generators thus facilitating competition.

ACO(b) - This modification makes charges and revenues more equal and fair.

Overall positive. By creating a level playing field by reducing costs this will also be able to reflected in future strike prices leaving the end consumer neutral yet aiding the commerciality of Offshore Windfarms thus aiding net zero.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
George Cobb – Inch Cape Offshore Limited						
Original	<b>y</b>	<b>y</b>	-	-	<b>y</b>	<b>y</b>

**Voting Statement:**

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I have voted in support of this code modification, as I think it is important that the overall costs that the offshore generators pay reflect their responsibilities and benefits for the onshore assets now and in the future. I believe that CMP418 supports better alignment of the overall costing methodology for the key stakeholders involved in offshore transmission assets.

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Giulia Licocci – Ocean Winds						
Original	<b>y</b>	<b>y</b>	-	-	<b>y</b>	<b>y</b>
<b>Voting Statement:</b> The Original proposal addresses the current inequitable approach to the distribution of cost of reactive compensation equipment between onshore and offshore generators. This better facilitates CUSC objectives and provides a level playing field for competition.						

Workgroup Member	Better facilitates ACO (a)	Better facilitates ACO (b)	Better facilitates ACO (c)	Better facilitates ACO (d)	Better facilitates ACO (e)	Overall (Y/N)
Harvey Takhar – ESO						
Original	<b>y</b>	-	-	-	<b>y</b>	<b>y</b>
<b>Voting Statement:</b> This modification, if passed, would better facilitate than baseline for objectives A & E, but would be neutral regarding objectives B, C & D. The mod seeks to recognise in the approach to charging, the broader benefits that DRCE could provide to the onshore system.						

Of the 6 votes, how many voters said this option was better than the Baseline.

Option	Number of voters that voted this option as better than the Baseline
Original	<b>6</b>

## Stage 2b – Workgroup Vote

Which option is the best? (Baseline or Proposer solution (Original Proposal)).

Workgroup Member	Company	Industry Sector	BEST Option?	Which objective(s) does the change better facilitate? (if baseline not applicable)
Alan Kelly	Corio Generation	Generator	Original	a,b
Calum Duff	Thistle Wind Partners	Generator	Original	a,b
Damian Clough	SSE Generation	Generator	Original	a,b
George Cobb	Inch Cape Offshore Limited	Generator	Original	a,b,e
Giulia Licocci	Ocean Winds	Generator	Original	a,b,e
Harvey Takhar	ESO	System Operator	Original	a,e