

Code Administrator Meeting Summary

Meeting name: CMP408 Workgroup Meeting 3

Date: 29/11/2023

Contact Details

Chair: **Claire Goult (ESO)** claire.goult@nationalgrideso.com

Proposer: **Giulia Licocci (Ocean Winds)** giulia.licocci@oceanwinds.com

Key areas of discussion

The Chair led the introductions and outlined the objectives of the meeting.

Timeline Update

The Workgroup consultation dates were highlighted by the Chair as being open to discussion. Members had expressed concern regarding the Christmas period and if enough time had been given to allow industry to respond. The Chair confirmed the dates would be reviewed and moved if required.

CUSC Panel Update / Wider Tariff Discussion

The Chair shared updates from the CUSC November Panel meeting.

Panel agreed to the Proposer's request to change the CMP418 title from "Refine the allocation of Static Var Compensator (SVC) costs at OFTO transfer" to "Refine the allocation of Dynamic Reactive Compensation Equipment (DRCE) costs at OFTO transfer".

Panel also agreed to proposed changes to the Terms of Reference (ToR)

- ToR f) Replace the acronym SVC with DRCE
- Removal of ToR (i) Consider the impact on other Dynamic Reactive Compensation Equipment

Panel members concluded the amended title and points within the Terms of Reference did not constitute a change in defect and therefore the Workgroup could resume.

The Proposer explained to members a point had been raised by the Panel regarding the term 'Wider Tariff'. The Panel member had requested the Workgroup to consider if the term should be capitalised in all modification documents as it is a defined term. The Proposer asked the ESO representative for clarification as there were instances in the CUSC where it appears both capitalised and non-capitalised. The ESO representative agreed to take an action to provide clarification to the Workgroup.

Action Review

The Chair led a review of the Action log.

Action - Dynamic Reactive Compensation Equipment (DRCE)

JL presented slides on DRCE to the Workgroup covering what reactive power is, why do we want to manage reactive power, reactive power in a typical AC offshore Transmission System and four main examples of DRCE (switched inductors or capacitors, synchronous machines, SVC/STATCOM and inverter/converter).

Action - Confirm TO Payment of Obligatory Reactive Power Service (ORPS)

HT presented a slide referencing an extract from the Transmission Standard license condition E15 and confirmed TO's are paid for Transmission Services as part of their base transmission revenue. The ESO representative confirmed they are not paid ORPS as this would effectively be paying them twice. The Proposer confirmed the modification is not asking to be paid but requesting to not be remunerated for DRCE costs though Offshore TNUoS.

Action - Provide details of the impact on TNUoS if the proposed change was approved by the Authority and if DRCE were treated as generation assets what would the ESO pay in balancing services.

The Proposer presented Annex 8 - Impact of Proposed Solution on Wider TNUoS Charges and talked Workgroup members through the detail.

One Workgroup member questioned the rationale for using 45 years for an asset that only had a 25-year TRS and was not aware an asset lasted that long and possibly only 5 years. Another member felt the short shelf life would potentially strengthen the argument for the modification as the OFTO would be paying more but not getting any benefits of owning the asset. The Proposer clarified 45 years is the base case asset life used in the expansion constant Workgroup but could not find reference to this in the CUSC. The ESO SME explained onshore 45-year life is a standard assumption. A Workgroup member described how originally it was 20 years as wind turbine generators had a design life of 20 years and this was extended up to 25 years after Ofgem sought advice from different parties. The member felt there was still disparity in terms of the length of time the TRS is allocated for.

The Proposer stated within the presentation that the Offshore wind capacity would increase annually and quoted a figure of 3.5 GW. A member questioned how many years has been assumed it will continue at that level. The Proposer responded to say there is a target of 40GW of offshore wind by 2030. The same member felt the consultation should also state what comes after that in terms of Government targets out to 2050.

Workgroup members discussed the calculations in detail raising questions around operating costs, overhead factors for maintenance and if this information needs to be separated out in future in terms of the OFTO as the generator is only given a single number. Several actions were taken to investigate.

The Proposer talked through Annex 9 to consider the consumer impact of enabling offshore windfarms to retain the DRCE they install rather than transferring the assets. Although not the solution proposed, the Proposer felt this analysis evaluates how permitting offshore windfarms to be treated the same as onshore, allowing them to retain DRCE and receive reimbursement for reactive power services, impacts consumers.

Action - Consider retrospectivity without opening tariffs

The Workgroup discussed how retrospectivity without opening tariffs could be achieved. The Workgroup agreed the consultation should make it clear that the proposed solution is not looking to be applied retrospectively. Two Workgroup members felt considering applying retrospectively could delay the modification and there was also some confusion as to the meaning of retrospectivity. A Workgroup member clarified it would apply to any projects in the intervening period. It is a calculation and would not involve a change to the methodology. This means it would be adjusted and applied and therefore would not involve reopening of tariffs. The Proposer requested a further conversation and expressed concern of unintended consequences on the CUSC. Workgroup members felt a lot of detail was required to achieve retrospectivity and were not sure where the numbers would come from.

Review and Finalise Workgroup Consultation and Specific questions

Due to the significant number of actions the Chair suggested review and finalisation of the Workgroup consultation will now be done via circulation with the Workgroup once the actions had been completed.

The Workgroup discussed specific consultation questions. The following question was agreed by the Workgroup to be included in the Workgroup Consultation:

- Regarding the ongoing DRCE operation and maintenance costs, is a value of 1.5% used for onshore price control, an appropriate value?

AOB

A Workgroup member shared thoughts on the technical arguments within the Workgroup Consultation and Annexes being used to evidence and support this modification. Particularly with the DRCE being suggested as providing wider network support and a peripheral issue for generators. The Proposer referenced the different treatment being made between the offshore and onshore regimes. A Workgroup member suggested changes made to the documentation to give more weight and clarity to the Commercial argument which is the simplest way of addressing the issue. The member suggested the technical argument potentially has more differing options in terms of solution that could include changes to the STC or Grid Code.

Next Steps

- Once all actions are complete, the draft Workgroup consultation will be circulated for Workgroup members to review and provide feedback prior to submission.
- The timeline will be updated to take into account the actions and the Christmas period.

Actions

For the full action log, [click here](#).

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
1	WG1	CG	"To clarify with Ofgem: • The possible impact of the change if it proposed to be applied retrospectively	Meetings planned prior to WG2	WG2	Closed

			• Information on the end of Tender Revenue Stream"			
2	WG1	AH	Invite Terry Baldwin (ESO) to present overview of CM085 and clarify any interaction with CMP418 at WG2.	TB presented to WG2	WG2	Closed
3	WG1	GL	Investigate boundaries that could be applied to the solution.	GL clarified that discussed internally and Dynamic Reactive Compensation Equipment always required regardless of boundary distance.	WG2	Closed
4	WG1	JL	Explanation of what constitutes Dynamic Reactive Compensation Equipment, with a diagram if possible.	Definition shared with Workgroup. Couple of slides to be presented in WG3 and for inclusion in WG report. JL presented slides in WG4.	WG3	Closed
5	WG2	HT	To confirm TO payment of ORPS with a slide on asset clarification.	HT presented slide to WG3 and confirmed that as TO's are already paid for Transmission Services as part of their base transmission revenue they are not paid ORPS as this would be effectively be paying them twice.	WG3	Closed
6	WG2	GL	Provide details of the impact on TNUoS if the proposed change was approved by the Authority.	N/A	WG3	Closed
7	WG2	GL	If DRCE were treated as generation assets what would the ESO pay in balancing services.	N/A	WG3	Closed

8	WG2	ALL	Investigate how retrospectivity could be applied to this modification without reopening tariffs.	GL/PM Investigate retrospectivity feasibility without reopening tariffs and write into the solution if appropriate	WG4	Open
9	WG3	HT	Should documentation for CMP418 have 'Wider Tariff' capitalised or not (if so a definition for Wider Tariff is needed as a part of the legal text changes).	Click or tap to enter a date.	WG4	New
10	WG3	HT	To ask the revenue team if they have any capacity to analyse the operating figures used by Ocean Winds in WG3 within the timeframes of the modification.	Click or tap to enter a date.	WG4	New
11	WG3	GL	Consultation document, where HND is mentioned that the proposed solution, if approved, will apply to all radially connected offshore windfarms within the HND or not. The reason is because the defect is stemming from the allocation of cost of DRCE at OFTO transaction related to the requirements in the Grid Code for radially connected offshore windfarms.	Click or tap to enter a date.	WG4	Open
12	WG3	GL	Consultation document, Price controls are not codified – that has been the case so far and NGESO agrees. We think it's outside the scope of the defect and we do not require for that process to be codified for the defect to be addressed anyway.	Click or tap to enter a date.	WG4	New
13	WG3	GL	BC Report, clarity around 45 years asset life in the BC report and assessment of wider tariff impact – should it be 25 years and align with OFTO TRS?	Click or tap to enter a date.	WG4	New
14	WG3	GL	BC Report, clarity around targets post 2030 and implication for assessment on wider tariff impact– beyond 2030?	Click or tap to enter a date.	WG4	New
15	WG3	GL	BC Report, clarity around discount rates being applied in	Click or tap to enter a date.	WG4	New

			the– NGESO 4% discount rate not relevant if OFTO (7.5%?)			
16	WG3	GL	BC Report, add operation and maintenance cost of 1.5% to SVC wider tariff impact (should increase the benefit of the proposal)	Click or tap to enter a date.	WG4	New
17	WG3	GL	BC Report, explain that the OFTOs get paid via the base transmission revenue. The purpose is not for OFTO's to get paid.	Click or tap to enter a date.	WG4	New
18	WG3	GL	BC Report, wording to reflect this is a commercial defect.	Click or tap to enter a date.	WG4	New
19	WG3	GL	BC Report, impact on wind farm development cost – better define that the 1.09 is a saving on CfD bids for offshore wind generators.	Click or tap to enter a date.	WG4	New
20	WG3	GL	BC Report, 37.35 is in 2012 and this figure needs to be updated.	Click or tap to enter a date.	WG4	New
21	WG3	GL	BC Report, make clear that this is only applying in the future and does not work retrospectively.	Click or tap to enter a date.	WG4	New
22	WG3	GL	Clarification required on final paragraph of Annex 8	Click or tap to enter a date.	WG4	New
23	WG3	GL	Annex 9 – clarify that offshore wind does not get ORPS	Click or tap to enter a date.	WG4	New
24	WG3	CG	Add HT slide RE Condition E15 as Annex to consultation	Click or tap to enter a date.	WG4	New
25	WG3	PM	Confirm whether the “overhead factor” for onshore TO kit in RIIO-T2 is still the 1.8% that it was in RIIO-T1 and TPCR5.	Post meeting update overhead factor in the present price control has been confirmed as 1.5%.	WG4	New

Attendees

Name	Initial	Company	Role
Claire Goult	CG	Code Administrator, ESO	Chair
Andrew Hemus	AH	Code Administrator, ESO	Tech sec
Giulia Licocci	GL	Ocean Winds	Proposer
Harvey Takhar	HT	ESO	ESO rep
Alan Kelly	AK	Corio Generation	Workgroup member

Calum Duff	CD	Thistle Wind Partners	Workgroup member
Damian Clough	DC	SSE Generation	Workgroup member
Gavin Runciman	GR	Inch Cape Wind	Workgroup member alternate
George Cobb	GC	Inch Cape Wind	Workgroup member
John Sinclair	JS	Balfour Beatty	Workgroup observer
Jonathan Lakey	JL	Ocean Winds	Workgroup observer
Paul Mott	PM	ESO	ESO Rep alternate
Ryan Ward	RW	Scottish Power Renewables	Workgroup member