

## Final Modification Report

# CMP450: Introducing the definition of Dynamic Reactive Compensation Equipment (DRCE) in the CUSC

Overview: This modification seeks to introduce the definition of Dynamic Reactive Compensation Equipment (DRCE) in CUSC (Connection and Use of System Code) Section 11, aligning the definition to that included in the Grid Code.

### Modification process & timetable

1	<b>Proposal</b> 13 February 2025
2	<b>Code Administrator Consultation</b> 03 March – 24 March 2025
3	<b>Draft Final Modification Report</b> 24 April 2025
4	<b>Final Modification Report</b> 14 May 2025
5	<b>Implementation</b> TBC

**Have 8 minutes?** Read the full [Final Modification Report](#)

**Have 20 minutes?** Read the full [Final Modification Report and Annexes](#).

**Status summary:** This report has been submitted to the Authority for them to decide whether this change should happen.

**Panel recommendation:** The Panel has recommended unanimously that the Proposer's solution is implemented. The Panel recommended unanimously that the Original better facilitated the Applicable CUSC Objectives.

**This modification is expected to have a:** Low impact on Offshore Wind Farm Generators

<b>Governance route</b>	Standard Governance modification to proceed to Code Administrator Consultation	
<b>Who can I talk to about the change?</b>	<b>Proposer:</b> Giulia Licocci <a href="mailto:Giulia.licocci@oceanwinds.com">Giulia.licocci@oceanwinds.com</a> +34604986702	<b>Code Administrator Chair:</b> <a href="mailto:Cusc.team@nationalenergyso.com">Cusc.team@nationalenergyso.com</a>

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## What is the issue?

The CUSC currently does not define the term DRCE in its Interpretation and Definitions section (Section 11). Modification CMP418 refines the allocation of DRCE costs at OFTO transfer and includes changes to Section 14 (Charging Methodologies) that would require the addition of a DRCE definition.

### Why change?

If [CMP418](#) is approved, DRCE will not be defined. This modification will ensure that the necessary DRCE definition is formally included in Section 11 of the CUSC, keeping the document consistent.

## What is the solution?

### Proposer's solution

To address the issue, the Proposer recommends the introduction of the same definition of DRCE in the CUSC that currently exists in the Grid Code.

This approach ensures consistency between the two regulatory documents, preventing discrepancies or misinterpretations. By aligning the CUSC definition with the established Grid Code definition, this maintains clarity and avoids the need for multiple interpretations of the same term across different regulatory frameworks.

### Legal text

The Proposal introduces the following definition in Section 11 – Interpretation and Definitions. The legal text can be found in the table below and in Annex 2.

<b>“Dynamic Reactive Compensation Equipment”</b>	as defined in the <b>Grid Code</b> ;
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## What is the impact of this change?

Proposer's assessment against CUSC Non-Charging Objectives	
Relevant Objective	Identified impact
i. The efficient discharge by the Licensee of the obligations imposed on it by the Act and by this licence*;	Neutral
ii. Facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity;	Neutral
iii. Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency **; and	Neutral
iv. Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive  This proposal promotes efficiency in the implementation and administration of the CUSC arrangements.

\* See Electricity System Operator Licence

\*\*The Electricity Regulation referred to in objective (iii) 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.

Proposer's assessment of the impact of the modification on the stakeholder / consumer benefit categories	
Stakeholder / consumer benefit categories	Identified impact
Improved safety and reliability of the system	Neutral
Lower bills than would otherwise be the case	Neutral
Benefits for society as a whole	Neutral
Reduced environmental damage	Neutral

Improved quality of service	Neutral
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## Code Administrator Consultation Summary

The Code Administrator Consultation was issued on the 03 March 2025 closed on 24 March 2025 and received no responses.

## Panel Recommendation vote

Panel met on the 02 May 2025 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 Applicable Objectives better than the Baseline?

Panel Member: **Andrew Enzor, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement					
Should CMP418 be approved, CMP450 will better facilitate the objectives by ensuring all necessary definitions are included in CUSC.					

Panel Member: **Andy Pace, Consumers Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement					
CMP450 introduces a definition for Dynamic Reactive Compensation Equipment (DRCE) into the CUSC. This is needed if CMP418 is accepted by the Authority. We therefore assess it as better meeting applicable objective (iv) by promoting efficiency in the implementation and administration of the CUSC arrangements.					

Panel Member: **Binoy Dharsi, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement					
This proposal promotes efficiency in the implementation and administration of the CUSC arrangements.					

Panel Member: **Daniel Arrowsmith, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement					
The Proposal seeks to introduce the same definition of Dynamic Reactive Compensation Equipment (DRCE) in the CUSC that currently exists in the Grid Code, which will ensure consistency – thus NESO believes CMP450 is positive against objective (iv) as consistency will aid efficiency. For all other objectives, NESO believes this modification is neutral, therefore it is positive overall compared to baseline.					

Panel Member: **Garth Graham, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement					
This proposal introduces a simple change that promotes the efficient administration of the CUSC arrangements.					

Panel Member: **Joe Dunn, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement					
CMP450 will promote efficiency in the implementation and administration of the CUSC arrangements by ensuring the CUSC includes a definition for Dynamic Reactive Compensation Equipment in preparation for implementation of CMP418.					

Panel Member: **Kyran Hanks, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement					
Seems sensible to align the Grid Code and CUSC.					

Panel Member: **Mark Duffield, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)
Original	Yes	Neutral	Neutral	Yes	Yes
Voting Statement					
Should CMP418 be approved then CMP450 would be a necessary change to ensure that the intent of CMP418 can be implemented in a holistic fashion, better facilitating CUSC non-charging objectives i) and iv).					

Panel Member: **Paul Jones, Users' Panel Member**

	Better facilitates AO (i)?	Better facilitates AO (ii)?	Better facilitates AO (iii)?	Better facilitates AO (iv)?	Overall (Y/N)
Original	Neutral	Neutral	Neutral	Yes	Yes
Voting Statement					
Facilitates the implementation of CMP418 should it be approved by Ofgem.					

**Vote 2 – Which option best meets the Applicable Objectives?**

Panel Member	Best Option	Which objectives does this option better facilitate?
Andrew Enzor	Original	iv)
Andy Pace	Original	iv)
Binoy Dharsi	Original	iv)
Daniel Arrowsmith	Original	iv)
Garth Graham	Original	iv)
Joe Dunn	Original	iv)
Kyran Hanks	Original	iv)
Mark Duffield	Original	i),iv)
Paul Jones	Original	iv)

## Panel conclusion

The Panel has recommended unanimously that the Proposer's solution is implemented. The Panel recommended unanimously that the Original better facilitated the Applicable CUSC Objectives.

## When will this change take place?

### Implementation date

In line with the CMP418 Implementation date.

### Date decision required by

In line with the CMP418 Implementation date.

### Implementation approach

No systems or processes will need to change as a result of this Proposal.

## Interactions

- |  |  |  |                                |
|--|--|--|--------------------------------|
| <input type="checkbox"/> Grid Code                 | <input type="checkbox"/> BSC                                 | <input type="checkbox"/> STC                               | <input type="checkbox"/> SQSS  |
| <input type="checkbox"/> European<br>Network Codes | <input type="checkbox"/> EBR Article 18<br>T&Cs <sup>1</sup> | <input checked="" type="checkbox"/> Other<br>modifications | <input type="checkbox"/> Other |

If CMP418 is approved, CMP450 has been raised as a consequential proposal to ensure that the necessary DRCE definition is formally included in Section 11 of the CUSC, keeping the document consistent.

## Acronyms, key terms and reference material

Acronym / key term	Meaning
BSC	Balancing and Settlement Code
CMP	CUSC Modification Proposal
CUSC	Connection and Use of System Code
DRCE	Dynamic Reactive Compensation Equipment
EBR	Electricity Balancing Regulation
OFTO	Offshore Transmission Owners

<sup>1</sup> If the modification has an impact on Article 18 T&Cs, it will need to follow the process set out in Article 18 of the Electricity Balancing Regulation (EBR – EU Regulation 2017/2195) – the main aspect of this is that the modification will need to be consulted on for 1 month in the Code Administrator Consultation phase. N.B. This will also satisfy the requirements of the NCER process.



STC	System Operator Transmission Owner Code
SQSS	Security and Quality of Supply Standards
T&Cs	Terms and Conditions

## Annexes

Annex	Information
Annex 1	Proposal form
Annex 2	Legal Text

## Reference material

- [CMP418](#) Refine the allocation of Dynamic Reactive Compensation Equipment (DRCE) costs at OFTO transfer