

Public

# CUSC Panel

Friday 25 July 2025

Faraday House



Public

# WELCOME



## Purpose of Panel & Duties of Panel Members

The **Panel** shall be the standing body to carry out the **functions** referred to in CUSC – Section 8 CUSC Modification (8.3.3)

The **Panel** shall endeavour at all time to operate:

- In an **efficient, economical and expeditious manner**, taking account of the complexity, importance and urgency of particular CUSC Modification Proposals; and
- With a view to ensuring that the CUSC facilitates **achievement of the Applicable CUSC Objectives**.

### Duties of Panel Members & Alternates (8.3.4)

1. Shall act **impartially** and in accordance with the requirements of the **CUSC**; and
2. Shall not have any **conflicts of interest**.

Shall not be representative of, and shall act without undue regard to the particular interests of the persons or body of persons by whom he/she was appointed as Panel Member and any Related Person from time to time.

## Approval of Panel Minutes

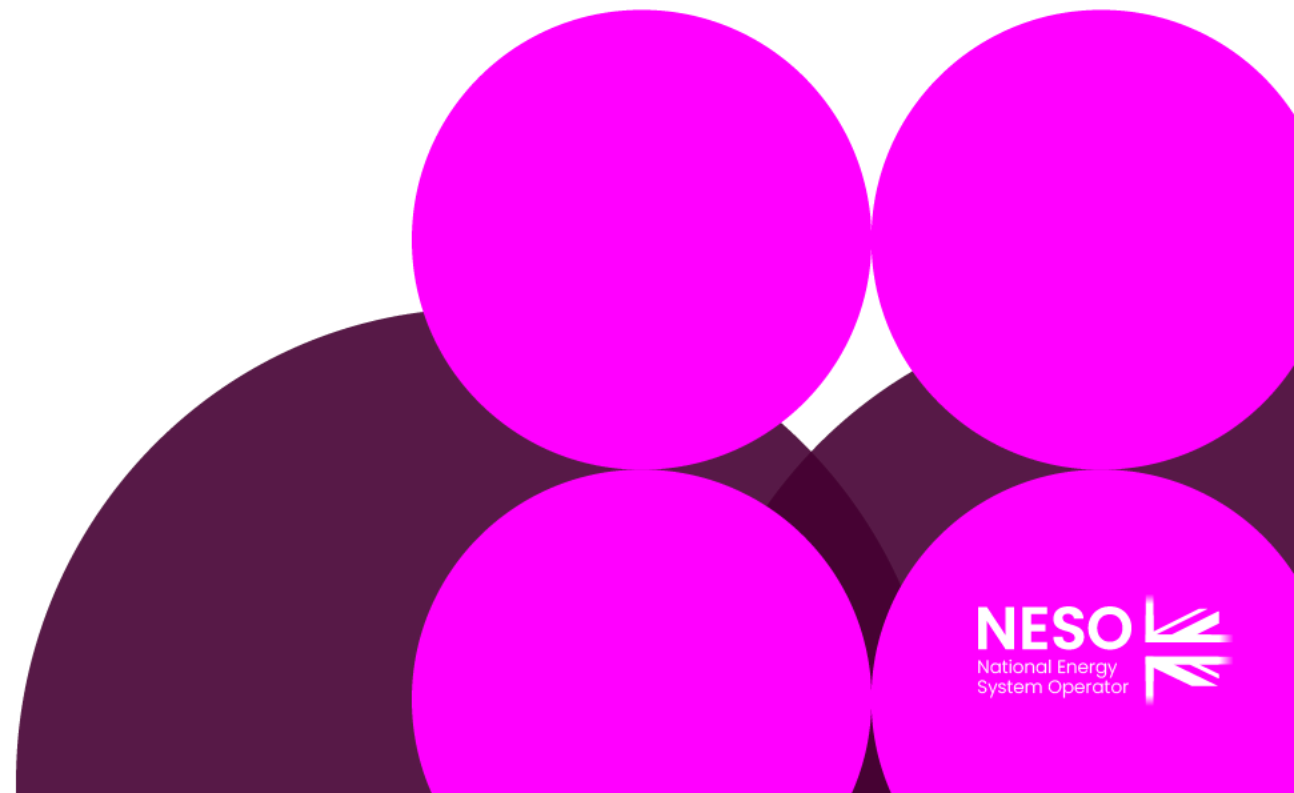
Approval of Panel Minutes from the Meetings held on 23 May and 09 June.

## Action Log

Review of Action Log:

- Action 182
- Action 183
- Action 184

## Chair's Update



# Authority Decisions and Update (as at 17 July 2025)

## Decisions Pending

Modification	Final Modification Report Received	Expected Decision Date
<b>CMP315</b> 'TNUoS Review of the expansion constant and the elements of the transmission system charged for' and <b>CMP375</b> 'Enduring Expansion Constant & Expansion Factor Review'	07 February 2024	TBC pending update on REMA (previously 07 February 2025)
<b>CMP330&amp;CMP374</b> 'Allowing new Transmission Connected parties to build Connection Assets greater than 2km in length and Extending contestability for Transmission Connections'	10 August 2023	TBC subject to CMP414 send back
<b>CMP397</b> 'Consequential changes required to CUSC Exhibits B and D to reflect CMP316 (Co-located Generation Sites)'	12 June 2024	30 September 2025 (subject to CMP316 send back)
<b>CMP418</b> 'Refine the allocation of Dynamic Reactive Compensation Equipment (DRCE) costs at OFTO transfer'	11 March 2025	11 July 2025
<b>CMP432</b> 'Improve "Locational Onshore Security Factor" for TNUoS Wider Tariffs'	15 May 2025	TBC
<b>CMP441</b> 'Reducing the credit risk of supplying non-embedded hydrogen Electrolysers'	23 December 2024	02 July 2025
<b>CMP444</b> 'Introducing a cap and floor to wider generation TNUoS charges'	28 March 2025	TBC (Authority are currently consulting. Closing date 11 August 2025)
Continued....		

The Authority's publication on decisions can be found on their website below:

<https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>

# Authority Decisions and Update (as at 17 July 2025)

## Decisions Pending

Modification	Final Modification Report Received	Expected Decision Date
<b>CMP450</b> 'Introducing the definition of Dynamic Reactive Compensation Equipment (DRCE) in the CUSC'	14 May 2025	11 July 2025
<b>CMP448</b> 'Introducing a Progression Commitment Fee to the Gate 2 Connections Queue '	04 July 2025	TBC

The Authority's publication on decisions can be found on their website below:

<https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>



# Authority Decisions and Update (as at 17 July 2025)

## Received Final Modification Reports since last Panel Meeting

Modification	Final Modification Report Received	Expected Decision Date
None		

The Authority's publication on decisions can be found on their website below:

<https://www.ofgem.gov.uk/publications/code-modificationmodification-proposals-ofgem-decision-expected-publication-dates-timetable>

# New Modification

CMP457: Revision of the Obligatory Reactive Power Service

Jeremy Taylor – NESO

# CMP457 Critical Friend Feedback

Code Administrator comments	Amendments made by the Proposer
<ul style="list-style-type: none"><li>• The modification overview was not completed</li><li>• All CUSC Applicable Objectives had been assessed against, whereas it should just be the charging Applicable Objectives</li><li>• Formatting and typographical errors</li></ul>	<ul style="list-style-type: none"><li>• Provided the modification overview</li><li>• Assessed against the correct CUSC Applicable Objectives</li><li>• Amended typographical and formatting errors</li></ul>

## What is the issue?

- Generators connected to the transmission network have signed up to the Grid Code and have an obligation to support the System Operator with a mandated element of reactive power when operating on the transmission network for which Section 14 defines cost reflective compensation payments.
- The Generators (service providers) providing Obligatory Reactive Power Services (ORPS) are paid based on utilisation. The rate is a historical one tracing its origins to the 1990's using a number of parameters assuming a network predominantly supported by fossil fuelled generation.
- The changing generation environment is resulting in a trend to a less predictable network requiring correction as well as a greater number of different technologies providing ORPS, a trend which is predicted to continue.
- At the same time as the variability is increasing, the cost of ORPS provision passed to the consumer, has risen significantly. The single rate of ORPS payments with its bias towards gas pricing is recognised as no longer reflective for service providers, proportional or meeting the needs of NESO.
- NESO has commissioned an in-depth review under the innovation programme to assess options for ORPS payments and develop a revised approach that addresses the current shortcomings, that is fair and transparent to all Service providers as well as the consumer.

## The Approach

The project has gone out to tender and procured support from external consultants with an international presence. The initial analysis involved engagement with industry as well as both desk-based research and interviews with system operators in other countries to identify a number of alternative approaches to the remuneration of reactive power services.

Methodologies were then assessed for suitability against a set of agreed principles to ensure they were:

- Cost reflective for the provider
- Economic for the consumer
- Fair and transparent
- Robust and able to support the network development, able to support new technologies
- Encouraged all generators to participate and meet their Grid Code obligations.

The intention of the Obligatory Reactive Project is to review the approach to reactive power remuneration and ensure that it fit for purpose to support the CP2030 goals, not just to update the BAU model (unless that was found to be the best approach).



## What is the Proposer's solution

The ORPS project team from NESO, working with the selected external team (DNV), has identified a number of potential solutions that have been categorised.

These included for instance single rate options and multiple rate options, that in turn could be grouped in different ways, based on technology and variable costs.

It also needed to be considered that reactive power is a localised requirement.

The strongest potential approaches are currently being modelled by DNV to inform the project of comparative outcomes prior to making a final decision on the preferred option. The current approach is included a baseline comparator.

To ensure that industry is able to input to the final selection, the project comms plan involves industry engagement including a webinar.

The intention is that the output of the project would form the basis for discussion by the workgroup to gather input to the final methodology incorporated into legal text for this modification.

As a Section 14 modification the intention is to seek:

- A decision for 30 Sept 2026
- Implementation for the charging year in April 2027.

# CMP457 Proposed Timeline

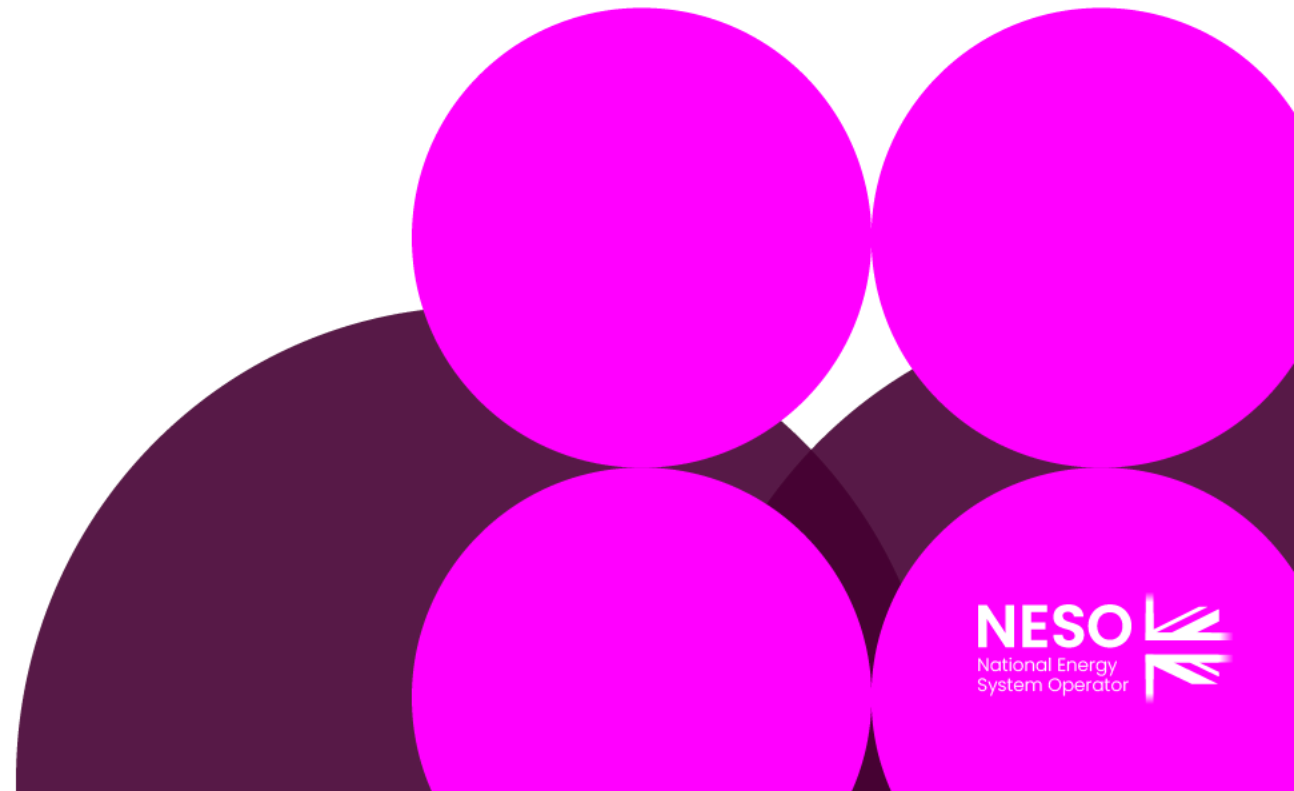
Milestone	Date	Milestone	Date
Modification presented to Panel	25 July 2025	Code Administrator Consultation	01 June 2026 – 22 June 2026
Workgroup Nominations (15 Business Days)	4 August 2025 to 22 August 2025	Draft Final Modification Report (DFMR) issued to Panel (5 Business Days)	17 July 2026
Workgroup 1 – Introduction Workgroup 2 – Action updates and Workgroup discussion Workgroup 3 – Action updates and draft legal text review Workgroup 4 – Finalise Workgroup consultation	25 September 2025 23 October 2025 20 November 2025 18 December 2025	Panel undertake DFMR recommendation vote	24 July 2026
Workgroup Consultation (15 Business Days)	07 January 2026 – 04 February 2026	Final Modification Report issued to Panel to check votes recorded correctly	31 July 2026
Workgroup 5 – Workgroup consultation discussion Workgroup 6 – Finalise solution, legal text and workgroup report Workgroup 7 – Finalise solution, legal text and workgroup report Workgroup 8 – Finalise solution, legal text and workgroup report	18 February 2026 11 March 2026 01 April 2026 22 April 2026	Final Modification Report issued to Ofgem	TBC
Workgroup report issued to Panel (5 Business Days) 5 clear Business Days minimum	15 May 2026	Ofgem decision	Needed by 30 September 2026
Panel sign off that Workgroup Report has met its Terms of Reference	22 May 2026	Implementation Date	01 April 2027

# CMP457 Asks of Panel

- **AGREE** that this Modification has a clearly defined defect and scope
- **AGREE** that this Modification should follow Standard Governance (Ofgem decision) rather than the Self-Governance Criteria (Panel decision)
- **AGREE** that this Modification should proceed to Workgroup
- **AGREE** Workgroup Terms of Reference
- **NOTE** that there appear not to be any impacts on the Electricity Balancing Regulation (EBR) Article 18 terms and conditions held within the CUSC
- **NOTE** the proposed timeline

## Panel Modification Tracker

Catia Gomes, Code Administrator



## Discussions on Prioritisation

- Deep Dive of the prioritisation stack
- AGREE where the new Modification that needs Workgroups are placed in the prioritisation stack



## Standing Groups

*Updates on all  
standing groups  
relevant to CUSC  
Panel e.g. potential  
for future governance  
changes or  
modifications*

TCMF – NESO Panel Member

- Previous meeting – 03 July 2025 Meeting cancelled

Next meeting – 07 August 2025

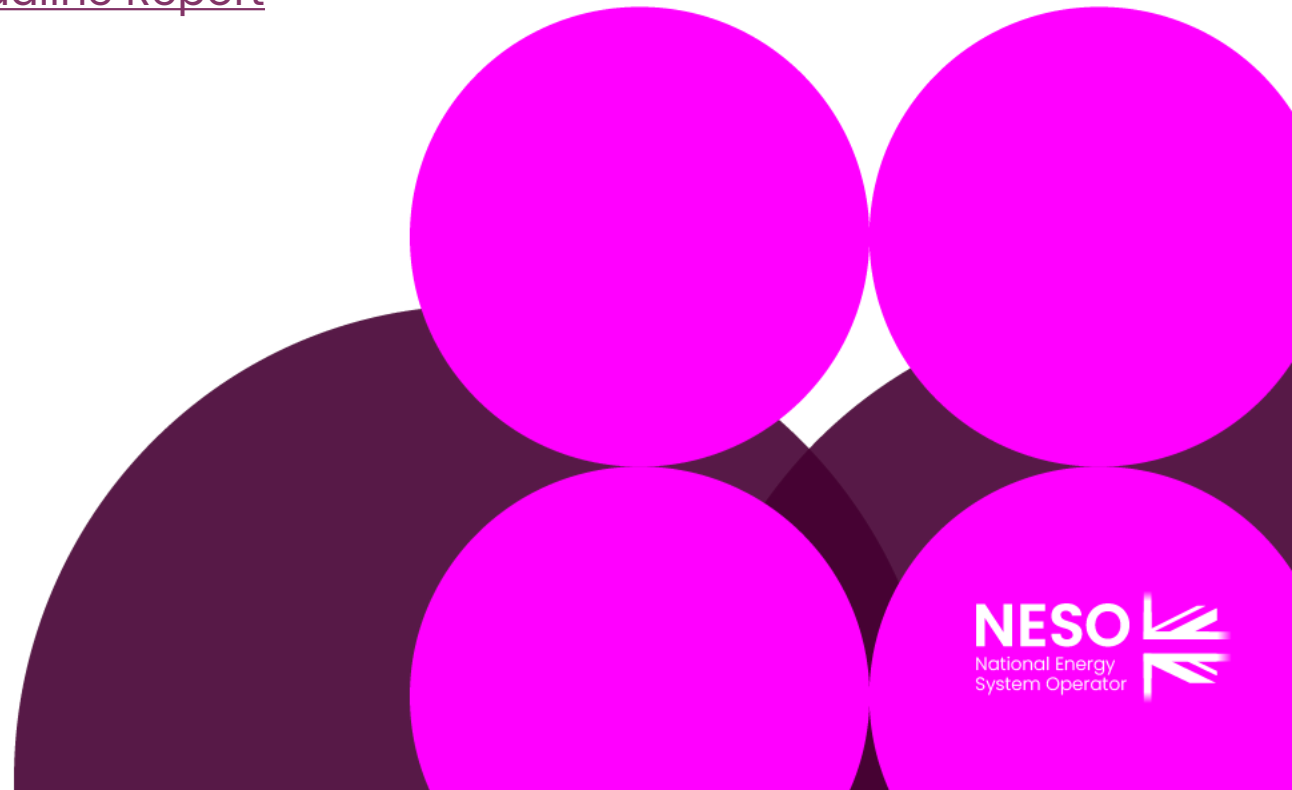
## European Updates

*Updates on all European developments relevant to CUSC panel e.g. potential for future governance changes or modifications*

- European Code Development – Harriet Harmon
- Joint European Stakeholder Group – Garth Graham
  - Previous meeting – 08 July 2025 [Meeting materials and Headline Report](#)
  - Next meeting – 12 August 2025

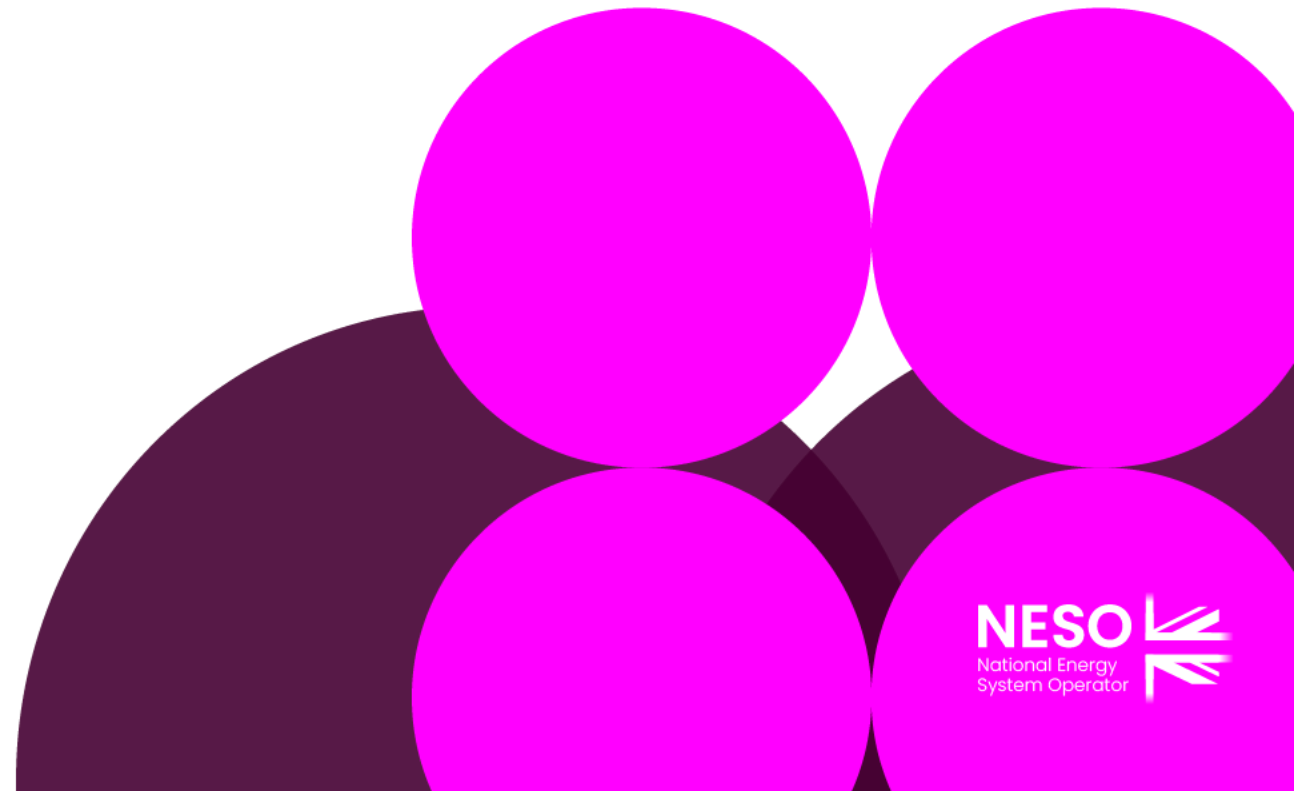
## Updates on other industry codes

26 June 2025 Grid Code Review [Panel Papers and Headline Report](#)



# **Relevant Interruptions Claim Report**

(January, April, July, October)



# Activities ahead of the next Panel Meeting

Transmission Charging Methodologies Forum	07 August 2025
Modification Proposal Deadline for August Panel	07 August 2025
Papers Day	14 August 2025
Panel Meeting	22 August 2025 Teams



# Close

Penny Garner  
Acting Independent Chair  
CUSC Panel