

## Reactive Power Offshore and the Commercial Arrangements Consultation: response proforma

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of the specific questions detailed below.

Please send your responses by **5pm** on **4<sup>th</sup> March 2011** to [cusc.team@uk.ngrid.com](mailto:cusc.team@uk.ngrid.com). Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

Any queries on the content of the consultation should be addressed to **Neil Rowley** at [Neil.Rowley@uk.ngrid.com](mailto:Neil.Rowley@uk.ngrid.com).

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| <b>Respondent Contact</b>  | <i>Contact: Dafydd Rickard</i><br><br><i>(email address provided separately)</i>  |
| <b>Company Name:</b>   | <i>Cardiff Power</i>  |
| <b>Do you agree with the findings of the comparison between the offshore and onshore generators?</b> | <p><u>Capital costs</u></p> <p>We agree in principle that capital costs of providing reactive power capability will under current framework arrangements be met by generators – either as a direct capital cost or through TNUoS charges. However, we are concerned that the consultation document does not compare the level of control over decision making that the generator has.</p> <p>Of the three possible outcomes considered in the consultation, the offshore generator has limited influence as Options 2 and 3 are variations from default obligations and are subject to NGET's consent. We therefore consider that the comparison should take account of the risk to offshore generators that the overall solution outcome does not provide an optimum balance between generator provided and OFTO provided reactive power capability.</p> <p><u>Operating cost – fixed</u></p> <p>We agree in principle with the assessment in the consultation. However, we note that an offshore generator would have less influence over the site specific maintenance charges for OFTO provided reactive power capability than it has on its own plant.</p> <p><u>Operating cost – variable, maintenance</u></p> <p>For offshore generators that are not providing reactive power support services, such costs would be recovered as part of TNUoS. We appreciate that such costs would not be accurately split between fixed and variable cost</p> |

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|  | <p>categories.</p> <p><u>Operating cost – variable, heat losses</u></p> <p>We agree that under the current framework that the cost of heat losses incurred in OFTO provided equipment would not be passed specifically to an offshore generator.</p> <p><u>Cable cost</u></p> <p>The consultation does not provide sufficient information for us to provide a substantive response in respect of cable costs. The argument used to support additional costs appears to neglect the impact of charging current on ratings regardless of circuit length – and such impacts apply regardless of the location of the necessary reactive power contribution. In the absence of further supporting evidence, we disagree with the magnitude of potential benefit that is stated in the consultation.</p> <p>We are also concerned that the assessment in the consultation does not consider circumstances where the optimum solution is for reactive support to be provided by a mix of services that are located onshore and offshore; i.e. in some cases the minimum cable ratings (thence capital costs) and minimum losses may be achieved by providing compensation for cable charging currents at the onshore or offshore substations or indeed at an intermediate point along the cable route.</p> |
| <p><b>Do you believe the commercial arrangements as described in the consultation are appropriate for the offshore regime?</b></p> | <p>We recognise that as a transmission licensee, an OFTO will be entitled to a regulated revenue stream. We agree that there should not be additional payments to OFTOs associated with the provision of reactive power services.</p> <p>It is stated in Para 7.7, Part 4 of the joint Ofgem/DECC offshore transmission publication (Government Response to ‘Offshore Electricity Transmission – A further Joint Ofgem/DECC Regulatory Policy Update’ <b>Final Consultation Document</b> 23 March 2009 - <a href="http://www.ofgem.gov.uk/Networks/offtrans/pdc/cdr/cons2009/Documents1/consultation2309.pdf">http://www.ofgem.gov.uk/Networks/offtrans/pdc/cdr/cons2009/Documents1/consultation2309.pdf</a>) that:</p> <p><i>“However, we consider that offshore generators should be compensated for costs associated with the OFTO-provided reactive power compensation equipment that they incur on a specific basis. As these costs will be of a fixed nature under current arrangements, we consider that there would be merit in NGET developing proposals for a capability based balancing</i></p>  |

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|   | <p><i>services payment for offshore generators. Ofgem has asked NGET to investigate further and anticipates that NGET will bring forward detailed proposals under normal governance arrangements.”</i></p> <p>We note that the commercial arrangements described in the present consultation do not appear to include the type of options that Ofgem specifically requested.</p>   |
| <p><b>Do you believe alternative commercial arrangements should be considered? If yes please describe those alternative arrangements.</b></p> | <p>We do not consider that sufficient consideration has been given to possible commercial arrangements to remunerate an offshore generator for use of reactive power equipment that the offshore generator is fully funding (via local TNUoS charges).</p> <p>We consider that there would be merit in considering possible rebates for offshore generators through TNUoS charges if NGET makes use of reactive power services from OFTO provided, offshore generator funded equipment. We consider that such a mechanism could help reduce the difference in treatment between offshore and onshore generators and also reduce the risk of onshore generators being unfairly disadvantaged when an offshore transmission network connects to the National Electricity Transmission System in their vicinity.</p> <p>Noting that TNUoS charges are outside the scope of the CUSC, we seek assurance from NGET that options such as TNUoS charge rebates will be pursued in the relevant forum.</p> |
| <p><b>Do you have any other comments?</b></p>   | <p>It is not clear from the consultation how cases where more than one generator is connected to the same OFTO network will be treated.</p>  |