

# Code Administrator Meeting Summary

## Meeting name: CMP418 Workgroup Meeting 4

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Date: 25/01/2024

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### Contact Details

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

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

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## Key areas of discussion

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

### Workgroup Consultation Response Summary

A summary of the five non-confidential Workgroup Consultation responses were presented to Workgroup members:

- Three respondents stated the Original Proposal better facilitated objective a)
- Two respondents stated the Original Proposal better facilitated objective b) and e)
- One respondent stated the Original Proposal was negative against objective b)
- Four of the respondents supported the implementation approach.
- In regards to the ongoing DRCE operation and maintenance costs, three respondents felt the value of 1.5% seemed reasonable and equitable to align with onshore TO revenue allowance cost. One respondent felt there was insufficient evidence to understand the origins of the figures or definitions of activities it intends to cover.
- Three respondents agreed the modification should not be applied retrospectively with one stating it avoids reopening tariffs. Another respondent reasoned it should only apply to new installations to prevent understating of costs relating to the Original.

Reasons given in support of the Proposal:

- Better facilitates competition correcting a commercial defect in on/offshore treatment bringing a level of parity
- Does not seek to open up ORPS to offshore
- Recognises the broader benefits DRCE could provide to onshore
- Reduces the already substantial TNUoS charge faced by generators

Reasons given against the Proposal:

- Socialising costs means these could be considered transmission assets

- The OFTO would need to seek assurance from the Developer that the DRCE is capable of operating to the expected capabilities from the ESO
- Insufficient evidence provided to understand the origins of the figure within the consultation, or the definition of what activities it is intended to cover

The Chair asked if members would like to add anything to the summary. No additions were suggested. One Workgroup member agreed this was a fair synopsis of the responses received.

A statement made in a response supportive of the Proposal was highlighted to the Workgroup by the Chair:

*'Dynamic Reactive Category should capture all types of Dynamic Reactive Devices including STATCOM.'*

The Chair suggested the respondent was referring to an earlier version of the Proposal and this issue had already been addressed when the Proposal was updated. Workgroup members agreed changing the CMP418 proposed legal text detail from Static Var Compensators (SVC) to Dynamic Reactive Compensation Equipment (DRCE) already captured STATCOM as suggested by the respondent.

### **Review Workgroup Consultation Responses**

A few points had been raised by a respondent unresponsive of the solution. The Proposer prepared responses to these arguments and shared these with the Workgroup.

The first argument was that the current charging arrangement reflects an historical expectation that generators are obliged to provide reactive services and compliance with Grid Code (GC). The Proposer explained generators are obligated to provide reactive services in compliance with the Grid Code and confirmed this will not change as a result of CMP418. The Proposer also pointed out it had been explained in the consultation that onshore DRCE will be required to ensure GC compliance for any offshore wind farms farther than 0.5 miles from shore.

The second argument, made by the respondent, was that by changing the charging arrangement so that the cost is socialised rather than directed to the party that triggers them means these could be considered transmission assets rather than operated for the benefit of the windfarm. The Proposer clarified DRCE ownership is transferred to the Offshore Transmission Owner (OFTO) at OFTO transaction, and the generator is then liable for TNUoS costs for the DRCE. The Proposer confirmed the proposed solution will not change the existing set up. If the asset were not considered part of the transmission assets, the OFTO would not be remunerated for its provision of reactive services via the Base Revenue, which it is. Similarly, if the asset was considered a generator asset, then the generator would be able to access the ORPS, which they are not. Workgroup members agreed with the Proposer's assessment. The Chair felt details of the proposal may have been missed by the respondent as they are confined within the Annexes. A suggestion was made by the Chair to include this information in the main body of the Workgroup Report to address the points made by the Respondent as an OFTO.

Concerns were also raised by the same respondent surrounding the interaction of CMP418 and CMP085. The Proposer recalled the ESO Subject Matter Expert (SME) had found no interaction between the modifications. The SME also confirmed CM085 requires no changes

to the current DRCE set up or the Grid Code requirements. A Workgroup member perceived this had already been made clear in the consultation and felt the Workgroup response should be that CM085 is a separate subject and what CMP418 is doing does not impact on CM085. Workgroup members agreed with this statement.

**Finalise Solution**

The Proposer requested support to understand what the consumer impact of CMP418 will be and to confirm the interaction with the connection exclusion and the demand residual. The ESO Representative agreed to consult with the ESO revenue team to provide information on connection exclusion charges, the end consumer financial impact of DRCE being included within this and associated change to ESO cost recovery. The Representative informed members this will not necessarily be analysis.

The Chair inquired if any members could share any insight on consumer impact and interaction with the conclusion exclusion to support the proposal. One Workgroup member offered to also answer the question posed by the Proposer but requested the ESO to confirm this is aligned with thoughts from the charging team.

**Action Review**

The Chair confirmed all previous Actions had been closed except for Action 9 regarding the capitalisation of ‘Wider Tariff’ within CMP418 documents, and if so, a definition for Wider Tariff would be required as part of the legal text changes. The ESO Representative confirmed the legal team had reviewed Section 14 and their opinion was wider tariff does not require capitalisation. Workgroup members agreed and the Chair confirmed wider tariff will not be capitalised in CMP418 documentation.

**Next Steps**

Chair to confirm the date of the next Workgroup and circulate the draft Workgroup Report for members to review.

**Actions**

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

Action number	Workgroup Raised	Owner	Action	Comment	Due by	Status
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	Closed
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).	HT confirmed that ESO legal team happy for lower case “wider tariff” to be included in the legal text for CMP418 as it appears in lower case throughout Section 14.	WG4	Closed
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.	No longer required or relevant as the modification is now seeking to remove DRCE from the list of assets and therefore not be part of the tariffs. If implemented, the DRCE would be removed from the list of	WG4	Closed

				assets the OFTO pays for, and the cost would then be recovered from the TDR.		
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.	N/A	WG4	Closed
12	WG3	GL	Consultation document, Price controls are not codified – that has been the case so far and NGENSO 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.	N/A	WG4	Closed
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?	BC Report updated prior to WG Consultation	WG4	Closed
14	WG3	GL	BC Report, clarity around targets post 2030 and implication for assessment on wider tariff impact– beyond 2030?	BC Report updated prior to WG Consultation	WG4	Closed
15	WG3	GL	BC Report, clarity around discount rates being applied in the– NGENSO 4% discount rate not relevant if OFTO (7.5%?)	BC Report updated prior to WG Consultation	WG4	Closed
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)	BC Report updated prior to WG Consultation	WG4	Closed
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.	BC Report updated prior to WG Consultation	WG4	Closed
18	WG3	GL	BC Report, wording to reflect this is a commercial defect.	BC Report updated prior to WG Consultation	WG4	Closed
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.	BC Report updated prior to WG Consultation	WG4	Closed
20	WG3	GL	BC Report, 37.35 is in 2012 and this figure needs to be updated.	BC Report updated prior to WG Consultation	WG4	Closed
21	WG3	GL	BC Report, make clear that this is only applying in the future and does not work retrospectively.	BC Report updated prior to WG Consultation	WG4	Closed
22	WG3	GL	Clarification required on final paragraph of Annex 8	Annex 8 updated prior to WG Consultation	WG4	Closed
23	WG3	GL	Annex 9 – clarify that offshore wind does not get ORPS	Annex 9 updated prior to WG Consultation	WG4	Closed
24	WG3	CG	Add HT slide RE Condition E15 as Annex to consultation	Slide added as Annex 10 prior to WG Consultation	WG4	Closed
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	Closed
26	WG4	DC	Provide information on connection exclusion charges and the end consumer financial impact of DRCE being included within this and associated change to ESO cost recovery.	N/A	WG5	New

27	WG4	HT	Approach ESO revenue team to confirm / add to Action 26 information provided by DC "Provide information on connection exclusion charges and the end consumer financial impact of DRCE being included within this and associated change to ESO cost recovery.	N/A	WG5	New
28	WG4	HT	Request the current CUSC Baseline to provide the agreed CMP418 legal text for the Workgroup Report	N/A	WG6	Status

**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
Anna Ferguson	AF	Blake Clough	Consultant / Workgroup observer
Damian Clough	DC	SSE Generation	Workgroup member
Gavin Runciman	GR	Inch Cape Wind	Workgroup member alternate
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