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For the attention of Providers of Reactive Power

### **National Grid Reactive Power Compliance Monitoring**

In April 2010 National Grid established an internal working group to examine the way Reactive Power is dispatched and how the payment for its provision is calculated.

The group identified a shortcoming between the way National Grid was paying for dispatched MVAr's and the payment provisions as set out in the CUSC. The group set about modifying the payment methodology and associated systems in an attempt to more rigidly follow these CUSC obligations. Assessments at the time suggested a potential saving to the industry of around £500k per annum.

This new methodology, known as *Reactive Power Compliance Monitoring* was implemented in October 2010 and in its first month of operation realised ~£41,000 of savings to the consumer; around 1% of total monthly expenditure on Reactive Power. Feedback from the industry and questions raised at the Balancing Services Standing Group (BSSG) in November and December 2010 has led National Grid to believe that further discussion and industry involvement is required to further refine this methodology to adequately meet the expectations of all providers of Reactive Power.

We therefore announced at BSSG on February 2<sup>nd</sup> 2011 that the *Reactive Power Compliance Monitoring* programme had been put on hold, effective February 1<sup>st</sup> 2011, pending further discussion with the industry. All payments withheld since October 2010 will be made good by the end of March 2011.

National Grid maintains that Compliance Monitoring is an important part of operating the National Electricity Transmission System in a safe and efficient manner and we look forward to working with the industry to resolve these outstanding issues and to the establishment of an agreed payment methodology that meets the expectations of reactive providers and the requirements of the codes.

Should you have any queries please contact your Account Manager.

Regards



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