











CUSC Modification Proposal Form		At what stage is this document in the process?												
<h1 style="margin: 0;">CMP304:</h1> <p style="margin: 5px 0 0 0;">Improving the Enhanced Reactive Power Service by making it fit for purpose</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border: 1px solid black; border-radius: 5px; width: 30px; text-align: center; font-weight: bold;">01</td> <td style="border: 1px solid black; border-radius: 5px; background-color: #00a651; color: white; padding: 5px; text-align: center; font-weight: bold;">Proposal Form</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; width: 30px; text-align: center; font-weight: bold;">02</td> <td style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center; font-weight: bold;">Workgroup Consultation</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; width: 30px; text-align: center; font-weight: bold;">03</td> <td style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center; font-weight: bold;">Workgroup Report</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; width: 30px; text-align: center; font-weight: bold;">04</td> <td style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center; font-weight: bold;">Code Administrator Consultation</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; width: 30px; text-align: center; font-weight: bold;">05</td> <td style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center; font-weight: bold;">Draft CUSC Modification Report</td> </tr> <tr> <td style="border: 1px solid black; border-radius: 5px; width: 30px; text-align: center; font-weight: bold;">06</td> <td style="border: 1px solid black; border-radius: 5px; padding: 5px; text-align: center; font-weight: bold;">Final CUSC Modification Report</td> </tr> </table>		01	Proposal Form	02	Workgroup Consultation	03	Workgroup Report	04	Code Administrator Consultation	05	Draft CUSC Modification Report	06	Final CUSC Modification Report
01	Proposal Form													
02	Workgroup Consultation													
03	Workgroup Report													
04	Code Administrator Consultation													
05	Draft CUSC Modification Report													
06	Final CUSC Modification Report													
<p>Purpose of Modification: This modification will enable reforms to commercial reactive power services that will create more useful and economic solutions, and new opportunities for providers. This proposal aims to ensure that the reactive power services (i) delivers transparency and clear information to the market; (ii) facilitates greater competition in the provision of services; and (iii) meets the changing needs of balancing services providers and operational requirements of the system operator.</p>														
	<ul style="list-style-type: none"> The Proposer recommends that this modification should be: assessed by a Workgroup <p>This modification was raised <i>23 August 2018</i> and will be presented by the Proposer to the Panel on <i>31 August 2018</i>. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>													
	<p>Medium Impact: The System Operator and providers of reactive power.</p>													

Guidance on the use of this Template: Please complete all sections unless specifically marked for the Code Administrator. Green italic text is provided as guidance and should be removed before submission. **Contact us:** The Code Administrator is available to help and support the drafting of any modifications, including guidance on completion of this template and the wider modification process. If you have any questions or need any advice on how to fill in this form please contact the Panel Secretary: e-mail: cusc.team@nationalgrid.com

Contents		 Any questions?
1	Summary	4
2	Governance	5
3	Why Change?	5
4	Code Specific Matters	5
5	Solution	6
6	Impacts & Other Considerations	6
7	Relevant Objectives	7
8	Implementation	7
9	Legal Text	8
10	Recommendations	8
Timetable		 Any questions?
<i>The Code Administrator will update the timetable.</i>		Contact: Joseph Henry, National Grid Code Administrator
The Code Administrator recommends the following timetable: <i>(amend as appropriate)</i>		 joseph.henry2@nationalgrid.com
Initial consideration by Workgroup	dd month year	 07970673220
Workgroup Consultation issued to the Industry	dd month year	Proposer: Garth Graham, SSE Generation Limited
Modification concluded by Workgroup	dd month year	 Garth.Graham@sse.com
Workgroup Report presented to Panel	dd month year	 01738 456000
Code Administration Consultation Report issued to the Industry	dd month year	National Grid Representative: Urmi Mistry
Draft Final Modification Report presented to Panel	dd month year	 urmi.mistry@nationalgrid.com
Modification Panel decision	dd month year	 07814 792971
Final Modification Report issued the Authority	dd month year	
Decision implemented in CUSC	dd month year	

Proposer Details

Details of Proposer: (Organisation Name)	SSE Generation Ltd.,
Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Garth Graham SSE 01738 456000 garth.graham@sse.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Andrew Colley SSE 01738 456000 andrew.colley@sse.com
Attachments (Yes/No): If Yes, Title and No. of pages of each Attachment:	

Impact on Core Industry Documentation.

Please mark the relevant boxes with an "x" and provide any supporting information

BSC	<input type="checkbox"/>
Grid Code	<input type="checkbox"/>
STC	<input type="checkbox"/>
Other	<input type="checkbox"/>

(Please specify)

This is an optional section. You should select any Codes or state Industry Documents which may be affected by this Proposal and, where possible, how they will be affected.

1 Summary

Defect

Information provided to the July 2018 TCMF¹ by the System Operator identified that in its current form the Enhanced Reactive Power Service (ERPS) has resulted in no tenders being accepted (by the System Operator) since 2009 and no tenders being received (from market participants) since 2011. This has been linked to the current requirement that the tenders require a minimum 12 month commitment period from market participants.

Information provided to the July 2018 Operational Forum² by the System Operator identified that in its current form the ERPS has (i) required long-term commitment, which exposed providers to risk and (ii) that current arrangements have not been significantly reviewed since their original design in the early 1990's, and are designed based on performance and operating costs of thermal plant.

Information set out by the System Operator in its May 2018 'Product Roadmap for Reactive Power'³ has identified that the requirement for Reactive Power absorption has consistently increased for the last 10 years and that the System Operator forecasts show this will continue.

Therefore a more agile ERPS product approach that takes account of time variances and market practicalities is therefore needed.

¹ https://www.nationalgrid.com/sites/default/files/documents/TCMF%20Slidepack%20July%202018_0.pdf

²

https://www.nationalgrid.com/sites/default/files/documents/04_Product%20Roadmap%20for%20Reactive%20Pwr_Jul18_OpsForum.pdf

³

<https://www.nationalgrid.com/sites/default/files/documents/National%20Grid%20SO%20Product%20Roadmap%20for%20Reactive%20Power.pdf>

What

The CUSC will be updated to reflect a more agile, fit for purpose, ERPS by developing a better, shorter-term market for reactive power that (i) delivers transparency and clear information to the market; (ii) facilitates greater competition in the provision of services; and (iii) meets the changing needs of balancing services providers and operational requirements of the system operator.

Why

Reviewing, refreshing and modernising the current ERPS arrangements in the CUSC will make them fit for purpose and lead to more providers coming forward which will maximise competition in the provision of reactive power, leading to lower costs (in terms of reactive power) for end consumers.

How

With the support of the industry, we will use this modification to finalise the solution to refresh and modernise the ERPS arrangements, before consulting with the wider industry and submitting to Ofgem for a decision.

2 Governance

- This modification should: be assessed by a Workgroup

3 Why Change?

As currently set out in the CUSC the ERPS has proved not to be a useful product for the System Operator or a product that market participants wish to offer to provide. The reasons for this have been identified by the System Operator and are shown, at a high level, in the 'defect' in Section 1 of this proposal.

Rectifying the defect will make the ERPS a fit for purpose product that the System Operator can utilise to meet their increasing need for reactive power in a reasonable, efficient and proportionate way and ensure that it is a product that existing and potential market participants wish to compete to provide.

4 Code Specific Matters

Technical Skillsets

An understanding of the current ERPS arrangements in the CUSC (see Section 9 below).

Reference Documents

The parts of the CUSC relevant to ERPS (see section 9 below).

The System Operator's May 2018 'Product Roadmap for Reactive Power'⁴.

5 Solution

The intention is to work with stakeholders to make the current ERPS arrangements fit for purpose in a way that (i) delivers transparency and clear information to the market; (ii) facilitates greater competition in the provision of services; and (iii) meets the changing needs of balancing services providers and operational requirements of the system operator.

The current arrangements are, for example, based around a twelve month product. We envisage reducing the period of the product from twelve months, including having the possibility of multiple period products for ERPS, such that the product is more conducive to the needs of the System Operator and the practical conformance by market participants. This could, theoretically, include seasonal, six monthly, quarterly, monthly, fortnightly, weekly or perhaps even daily products.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

We do not believe that this Modification impacts on a Significant Code Review or other significant industry change projects.

Consumer Impacts

We believe that reviewing, refreshing and modernising the current ERPS arrangements will lead to more market participants offering the product to the System Operator which should, in turn, provide a more competitive price for the provision of reactive power leading to lower costs for end consumers.

4

<https://www.nationalgrid.com/sites/default/files/documents/National%20Grid%20SO%20Product%20Roadmap%20for%20Reactive%20Power.pdf>

7 Relevant Objectives

Mandatory for the Proposer to complete. Please delete the CUSC Objectives that is not applicable.

Impact of the modification on the Applicable CUSC Objectives (Standard):

Relevant Objective	Identified impact
(a) The efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission Licence;	None
(b) 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;	Positive
(c) Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency *; and	None
(d) Promoting efficiency in the implementation and administration of the CUSC arrangements.	Positive

*Objective (c) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

Making ERPS a fit for purpose product that the System Operator can utilise to meet their increasing need for reactive power in a reasonable, efficient and proportionate way and ensuring that it is a product that existing and potential market participants wish to compete to provide will facilitate competition in the generation and supply of electricity, which better facilitates Applicable Objective (b).

Reviewing, refreshing and modernising the current ERPS arrangements in the CUSC will make them fit for purpose (and lead to more providers coming forward which will maximise competition in the provision of reactive power, so better facilitates Applicable Objective (b)) which will promote efficiency in the implementation and administration of the CUSC arrangements which better facilitates Applicable Objective (d).

8 Implementation

It is expected that implementation will be as soon as reasonably practical taking into account the time need to review, refresh and make fit for purpose the ERPS arrangements.

9 Legal Text

As is normal at this stage in the process Legal Text has not been prepared.

That having been said we anticipate that changes to the following parts of the CUSC may be required as a result of this proposal:

- Section 4 –which sets out need to compliance with schedule 3, Part 1.
- Section 11 –where “Enhanced Reactive Power Service” is defined.
- Schedule 2, Exhibit 4 –sets out suspension of mandatory services if called.
- Schedule 3:
 - Part 1, 1.0 -which sets out the tender definitions.
 - Part 1, 3.0 –which sets out the payment mechanism.
 - Part 1, 5.0 –which sets out the regulatory and statutory requirements.
- Appendix 2, which sets out the payment mechanism calculations.
- Appendix 5, which sets out information for tender submissions.
- Appendix 6, which sets out qualification and evaluation criteria.

10 Recommendations

Proposer’s Recommendation to Panel

- Panel is asked to: Refer this proposal to a Workgroup for assessment.