

CUSC Modification Proposal Form		At what stage is this document in the process?												
<h1 style="color: #00a651;">CMP305:</h1> <h2>Removal of the Enhanced Reactive Power Service (ERPS)</h2>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">01</td> <td style="background-color: #00a651; color: white; border: 1px solid black; border-radius: 5px; text-align: center;">Proposal Form</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">02</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Workgroup Consultation</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">03</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Workgroup Report</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">04</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Code Administrator Consultation</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">05</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">Draft CUSC Modification Report</td> </tr> <tr> <td style="text-align: center; border: 1px solid black; border-radius: 5px;">06</td> <td style="border: 1px solid black; border-radius: 5px; text-align: center;">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
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<p>Purpose of Modification: The aim of this modification is to remove references to the Enhanced Reactive Power Service (ERPS) from the CUSC. This is an opt-in tendered commercial service for which no tenders have been submitted in seven and a half years, and no contracts have been agreed in nine years. There is an ongoing obligation for NG ESO to issue a request for tenders every six months. Given the administrative burden of running a tender exercise with no participants, the period for which no tenders have been received, and customer feedback, it is proposed that this obligation should be removed from the CUSC.</p>														
	<p>The Proposer recommends that this modification should be: progressed directly to Code Administrator Consultation</p> <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>Low Impact</p> <p>This proposal has low impact on industry and providers of balancing services. No tenders have been received for this service since January 2011, and there have been no new contracts signed since October 2009.</p>													

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Timetable		National Grid Representative: Urmi Mistry
<i>The Code Administrator will update the timetable.</i>		
The Code Administrator recommends the following timetable: <i>(amend as appropriate)</i>		
Initial consideration by Workgroup	dd month year	
Workgroup Consultation issued to the Industry	dd month year	
Modification concluded by Workgroup	dd month year	
Workgroup Report presented to Panel	dd month year	
Code Administration Consultation Report issued to the Industry	dd month year	
Draft Final Modification Report presented to Panel	dd month year	
Modification Panel decision	dd month year	
Final Modification Report issued the Authority	dd month year	
Decision implemented in CUSC	dd month year	

Proposer Details

Details of Proposer: (Organisation Name)	National Grid Electricity System Operator
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:	Urmi Mistry National Grid 07814 792971 Urmi.mistry@nationalgrid.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Patrick Cassels National Grid 07766 778645 patrick.cassels@nationalgrid.com
Attachments (Yes/No): No If Yes, Title and No. of pages of each Attachment: N/A	

Impact on Core Industry Documentation.

No impact on other core industry documentation.

1 Summary

Defect

The CUSC contains obligations for NG ESO to tender for the Enhanced Reactive Power Service (henceforth referred to as ERPS). This is an opt-in commercial service for reactive power that NG ESO is required to tender for every six months. ERPS was intended for providers who can exceed the requirements of the Obligatory Reactive Power Service (ORPS), or for providers who are not required to offer ORPS but can meet or exceed the performance standard.

NG ESO has not received a tender submission for this service since January 2011. We have not entered a contract for this service since October 2009. NG ESO has continued to tender for this service every six months with no submissions received.

This CUSC modification proposal is to remove the ERPS from the CUSC, including all obligations with running the six-monthly tender. ERPS is currently the only opt-in commercial ancillary service where the requirement to tender and the method for doing so are prescribed in the CUSC. In removing ERPS, any future needs for a reactive power services can be addressed in a transparent and competitive manner, as per all other commercial ancillary services, under the Procurement Guidelines and associated governance arrangements.

What

The proposal is to remove all references to the Enhanced Reactive Power Service from the CUSC, including the obligation for NG ESO to tender for the service every six months.

Why

NG ESO has consulted widely with industry on making reforms to our balancing services to deliver improved transparency, competition and fit-for-purpose arrangements via our System Needs and Product Strategy consultation. In response to this consultation, numerous stakeholders informed us that a more flexible set of arrangements is needed, and that the current methods for reactive power procurement do not meet their needs. This code modification aims to remove the redundant ERPS service, as set out in the Reactive Power Product Roadmap. This was identified as the first step in creating new opportunities under more flexible arrangements in line with levelling the playing field and delivering benefit to consumers.

The obligation to tender for ERPS as specified in the CUSC is no longer appropriate given the overwhelming evidence that this market is not functional. Removing this obligation will alleviate an administrative burden on the ESO and enable internal resource to focus on value-add activities, such as developing better functioning, more competitive service solutions.

The codified arrangements for ERPS presently stifle the potential for alternative, more flexible arrangements to be considered under the Procurement Guidelines, which could deliver a more functional market and a better outcome for the end consumer. If this change is not made, it will act as a barrier to the development of more competitive solutions for reactive power, and there will be a continued resource impact on NG ESO to conduct the six-monthly tenders.

How

There is currently no participation in this service and consequently a low impact on industry and balancing service participants in removing references to this service. We therefore propose that this modification progress directly to Code Administrator Consultation. We intend to reallocate

the resource associated with running the tenders for this service on the development of more functional, transparent and competitive markets that offer better value for the end consumer.

2 Governance

Justification for Fast Track Self-Governance Procedures

This should not be fast tracked via self-governance as a decision by The Authority is required.

Requested Next Steps

This modification should proceed directly to Code Administrator Consultation due to the low impact on industry and balancing services participants. This conclusion is based on having no participation in the service for over seven and a half years, and feedback already received via the broader SNAPS consultation on balancing services development. We therefore do not foresee a viable alternative arising from workgroup consultation.

3 Why Change?

The GB electricity system is continuing to evolve at pace. The way in which we administer ancillary service markets must increasingly be focussed on efficient use of all available resource and maximising value-add activities that deliver clear benefits for the end consumer. In this world of change, NG ESO aims to deliver balancing services markets that can adapt to the challenges of the future and are open to the widest possible pool of market participants, thereby achieving the most economic outcome for the end consumer. Our intent is to foster transparent and competitive service markets approaches that enable all technology types and electricity system users to compete on a level playing field.

This change to CUSC will remove the requirement for NG ESO to run a tender every six months for ERPS. The current set of arrangements placing restrictions on the procurement methods for a commercially tendered ancillary service which limits our ability to adapt to the changing needs of the system and market participants.

Rationalising this service will provide an additional benefit by removing an administrative burden on NG ESO, enabling internal resource to focus on the development of functioning and competitive service solutions. This modification will have minimal impact on providers of balancing services and wider industry as there is currently no participation in ERPS tenders.

The intent to raise this modification to remove ERPS was the first action outlined in the Reactive Power Product Roadmap, published May 2018. This is part of a series of commitments to work with industry to determine a suitable set of market arrangements for reactive power.

The codified implementation of ERPS stifles potential for alternative, more flexible market arrangements to be considered under the Procurement Guidelines, as deprecated ERPS arrangements would presently exist in parallel. This modification would deliver a more functional market and a better outcome for the end consumer. If this change is not made, it will act as a barrier to the development of more competitive solutions for reactive power, and there will be a continued resource impact on NG ESO to conduct the six-monthly tenders.

4 Code Specific Matters

Technical Skillsets

Knowledge of the CUSC and both mandatory and commercial ancillary services would be beneficial in the consideration of this modification.

Reference Documents

This modification relates to the Connection and Use of System Code (CUSC) only.

Link to the [Reactive Power Product Roadmap](#).

5 Solution

The proposed solution is to remove the references to Enhanced Reactive Power Service as they appear throughout the CUSC. These references occur specifically in:

- Definitions
- Section 11
- Section 4
- Schedule 2
- Schedule 3

The proposed changes to the legal text are currently with the NG ESO legal team for review. The modification proposes removal only, and no additions to be made to the CUSC.

6 Impacts & Other Considerations

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

No impact.

Consumer Impacts

There will be a beneficial impact to consumers, as we propose to remove a service for which there is no longer an active market. This will enable resource to focus on developing more competitive and efficient approaches to balancing services procurement via market-based mechanisms. Our Reactive Power Product Roadmap sets out a plan for how we will engage with industry to consult on alternative approaches that better meet the needs of the system and market participants to deliver a positive impact for consumers.

7 Relevant Objectives

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;	Positive
(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).

Evidence for the impact of the modification is as follows:

- (a) Removing ERPS from the CUSC will enable NG ESO to conduct our duties in a more economic and efficient manner by focussing on value-add activities that deliver clear benefits to the consumer and removing the inefficiencies associated with tendering for a depreacted service.
- (b) The developments set out in the Reactive Power Roadmap, of which this modification is the first step, are necessary to ensure that more liquid, flexible and transparent market-based mechanisms facilitate economic outcomes and a level playing field for providers of services.
- (d) Removing an outdated set of obligations from the CUSC will help to streamline the code, and ensure that commercial opt-in services are implemented efficiently and flexibly via the Procurement Guidelines rather than continuing to codify commercial tendered services.

8 Implementation

This change should be implemented as soon as practicable following approval to maximise the benefits of no longer tendering for the service. The next tender for ERPS is due in January 2019 therefore provisional on approval of this modification, the intent is to not run this tender.

9 Legal Text

Text Commentary

The proposed legal text for changes to the CUSC have been prepared and are presently with the NG legal team for review. The legal text will be appended to this modification for approval

prior to Code administrator Consultation. It does not include any additions to the CUSC, as the proposal is for removal of references to ERPS only.

10 Recommendations

Proposer's Recommendation to Panel

The panel is requested to consider issuing this modification directly to Code Administrator Consultation.