

FRCR Methodology Consultation Response Proforma**FRCR Methodology Consultation**

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

Please send your responses to box.sqss@nationalgrideso.com by **5pm on Wednesday 13 January 2021**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration.

If you have any queries on the content of this consultation, please contact Robert Wilson Robert.Wilson2@nationalgrideso.com or box.sqss@nationalgrideso.com

Respondent details	Please enter your details
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Please express your views in the right-hand side of the table below, including your rationale.

FRCR Methodology Consultation questions		
1	Overall, do you agree that this methodology will allow the preparation of an appropriate FRCR? (as required by modification GSR027)	It will help, but it could be both clearer and more future proof. It is not obvious that having a “policy” and “methodology” in different document is helpful (as they are repetitive) so we would propose these are merged into one more coherent document.
2	To help structure comments, what is your feedback on the following sections of the methodology?	Please use the boxes below for the bullet points in questions numbered 2a-2j
2a	<ul style="list-style-type: none"> Aim 	Somewhere there needs to be a cost of disconnection against with the cost benefit is undertaken. At the moment the documents talk about the costs, but not the benefit. Is NGESO going to use the VoLL under the BSC, will it be inflated, does it have a different VoLL that alters by time or year, day, etc.?
2b	<ul style="list-style-type: none"> Impacts 	In future security issues may arise at periods of low demand. Despite GC347 the methodology makes no mention of the impacts of cutting off gencos

		rather than demand. Is this reserve available to increase demand as the system may be more stable with higher demand at certain periods?
2c	<ul style="list-style-type: none"> Events and loss risks 	Does NGESO need to consider the loss of any part of the DNO networks as well?
2d	<ul style="list-style-type: none"> Controls 	This section talks about the services that NGESO procures, but does not seem to be proposing a way to integrate that with services provided to the DNOs. With a move to DSOs some ancillary services providers may only contract with the DSOs. We believe an economic response from customers may come via either market.
2e	<ul style="list-style-type: none"> Metrics for reliability vs. cost 	<p>This section does talk about VoLL, but then suggests that something else could be used. If this is the methodology against which NGESO operates we would expect this to all be firmed up so that parties can judge if NGESO is following the methodology or not. If there is a power cut and the market knows the cost of reserve bought, it needs to know the value of unserved energy to know if the ESO was judging their requirement and then contracting in line with the methodology.</p> <p>We are surprised the document suggests the RSP works well when NGESO has raised a BSC Issue to examine it. Further, at the NCC meetings, NGESO has said ignore the RSP saying zero and listen to the EMNs. Likewise the idea that the market may want to set an upper limit on the cost of reserve seems inconsistent with meeting the Government's LOLE requirements. These broader policy issues and legal obligations do not seem to be reflected as things NGESO must take into account.</p> <p>We feel this section needs to be rewritten to set out the parameters and considerations that a robust cost benefit analysis will include. Parties need to know what is underlying the reserve report and what specific factors are influencing its purchases of reserve.</p>
2f	<ul style="list-style-type: none"> Analysis - general approach and assumptions 	FGG does not expect NGESO to just rely on historic data. It must make adjustments when they know the market is altering, for example when a new large load connects we would expect NGESO to look at historic data and adjust it. It is also not clear how policy targets are reflected, such as the need to re-examine VoLL if electric heating is more prevalent.
2g	<ul style="list-style-type: none"> Analysis - step-by-step 	Somewhere in this process we would like to see NGESO considering if some actions could come from contracts held with DSOs. There does not

		seem to be a step where the ESO is asking the DSOs what they have on their systems.
2h	<ul style="list-style-type: none"> Outputs 	<p>It is not clear from this document, but may be in the final report, how the output translates into reserve holdings over the year. Parties need to understand if NGESO expect, for example, to buy more Dynamic Containment over summer, at specific times in summer vs winter days, etc.</p> <p>Again, the recommendations need to consider the role of DNOs and those providing services to them, such as the Loss of Mains Protection changes that are being led by the DNOs.</p>
2i	<ul style="list-style-type: none"> Future considerations 	This list looks fine as a starting point.
2j	<ul style="list-style-type: none"> Input and data sources 	We have some concerns about the focus on BMUs and, as noted above, think DNO connected assets need to be considered.
3	How well will this methodology address its three key aims?	Please use the boxes below for the bullet points in questions numbered 3a-3c
3a	<ul style="list-style-type: none"> establish a clear, objective, transparent process for assessing reliability vs. cost to ensure the best outcome for consumers 	The documents needs to be merged and some clarity around the calculation of benefits added.
3b	<ul style="list-style-type: none"> make the assessment of the risk from the inadvertent operation of Loss of Mains protection transparent 	This will only be achieved if the issues outline above are addressed.
3c	<ul style="list-style-type: none"> identify quick, short-term improvements for reliability vs. cost 	It is not clear why anyone would want a policy that looks at short-term changes in a market undergoing such a fundamental transition. It may be better for the report to specifically try to identify the types of products that will be needed in the future. This may be achieved under “future considerations”, but as issues arise the market needs well thought out responses. It undermines investor confidence if NGESO buys a new service for a short period and then changes it to something else, etc.

4	Do you have any other comments?	FGG has been disappointed about the way NGESO has consulted on this document, with such a short period to respond over the Christmas break. There will be no point in producing a new document if it does not provide the sort of useful information that will inform operators and investors about the direction of travel of the reserve provision.
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