

Annex 5b – Governance Framework Licence Change ***(All new text)***

Standard Condition CXX: Frequency Risk and Control Report Methodology and Application

Introduction

1. This condition sets out the licensee's role in the production of a periodic Frequency Risk and Control Report (FRCR), in accordance with an agreed process and which is regularly reviewed and updated in consultation with interested parties and is subject to approval by the Authority.
2. The FRCR is required to provide a transparent and consulted assessment of the risk of unacceptable frequency conditions (as defined in the SQSS) occurring, and their impact on Security of Supply inherent in the operation of the National Electricity Transmission System. It will set out which of these frequency risks the system should be secured against by the licensee in their operation of the system to allow a balance to be struck between the consideration of risks, the benefit of avoiding these risks materialising, and the economic and efficient costs that will be incurred in ensuring the safe and secure operation of the system to do so.
3. The methodology underpinning the FRCR process, along with how this will be approved, is set out in Part A of this condition. The requirements for the publication of the periodic FRCR are outlined in Part B. The licensee's obligations regarding the provision of information underpinning the FRCR process are described in Part C. Together these activities make up the FRCR process.
4. The licensee shall take such steps as are within its power and it considers may be necessary to enable the processes set out in this licence condition. In carrying this out, the licensee must act in a manner that best ensures transparency and independence.

Part A: The FRCR methodology

5. The licensee shall initially and at such other times as the licensee may see fit or the Authority may direct, develop proposals for the FRCR methodology which will include the form and general expected content and structure of the FRCR. This will be carried out in consultation with interested parties. The consultation shall be of such a form and duration as to reasonably allow all interested parties to contribute.
6. Following any consultation pursuant to paragraph 5, the licensee must:
 - (a) by 1 April 2021, or such other date as directed by the Authority, submit to the Authority an initial FRCR methodology and proposed form of the initial FRCR; and
 - (b) by such other date as directed by the Authority or as the licensee may see fit, further submit to the Authority for approval an updated proposed FRCR methodology.
7. The licensee must make reasonable endeavours to ensure the FRCR methodology includes the information set out in paragraph 10. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress outstanding issues.
8. Submissions made under paragraph 6 must include:
 - (a) a detailed explanation of the consultation process undertaken in the development of the FRCR methodology;

Annex 5b – Governance Framework Licence Change

(All new text)

(b) a summary of the views received from interested parties as part of the consultation process and an explanation of how these were taken into account in the development of the FRCR methodology; and

(c) copies of any formal responses submitted to the licensee as part of its consultation process.

9. The Authority will on receipt of a submission under paragraph 6:

(a) approve the proposed FRCR methodology or

(b) give a direction to the licensee that the FRCR methodology requires further development, and the date by which the licensee is required to submit a revised FRCR methodology to the Authority for approval.

10. The FRCR methodology must be designed to facilitate the economic assessment of risks associated with the occurrence of unacceptable frequency conditions in the operation of the National Electricity Transmission System and assessment of which of these risks will be secured. The FRCR methodology must include (but need not be limited to):

(a) the approach to be used to determine the circumstances for which unacceptable frequency conditions should not occur;

(b) the approach to be used in clearly setting out each of the risks or categories of risk that are present in the operation of the system which will be used in the assessment of unacceptable frequency conditions, including specific events and the direct and indirect consequences of these, and as will be set out in the FRCR in accordance with the methodology and the specific requirements of paragraph 19;

(c) how each of the risks identified in (b) will be assessed, including but not limited to:

(i) the approach used to assess the technical, economic and environmental impacts;

(ii) the approach used to assess the likelihood and consequence of each such risk occurring; and

(iii) the approach used to quantify the cost of mitigating each such risk.

(iv) the sources of information as used to perform the assessment.

(d) the benefits to the consumer in mitigating risks to the secure operation of the system;

(e) how the licensee will engage with interested parties to share relevant information and how that information will be used to review and revise the FRCR methodology; and

(f) details of the licensee's proposed timetable for updating and consulting on the FRCR methodology.

Part B: The Frequency Risk and Control Report (FRCR)

Annex 5b – Governance Framework Licence Change

(All new text)

11. The licensee shall initially and at such other times as the licensee may see fit or the Authority may direct, develop proposals for the FRCR in consultation with interested parties. The consultation shall be of such a form and duration as to reasonably allow all interested parties to contribute.

12. Following any consultation pursuant to paragraph 11, the licensee must:

(a) publish an initial FRCR by 1 April 2021 or such other date as directed by the Authority and submit this to the Authority for a decision. This will be based on and prepared in accordance with the draft initial methodology set out in part A; and

(b) by such other date as directed by the Authority or as the licensee may see fit, and as set out in paragraph 13, publish a revised FRCR and further submit this to the Authority for a decision.

13. Following publication of the initial FRCR the licensee must:

(a) review at least once in each financial year the FRCR prepared and published in the previous financial year and consider any improvements to better facilitate the economic and efficient operation of the National Electricity Transmission System; and

(b) publish an updated FRCR by 31 January of each year or such other date as directed by the Authority and submit this to the Authority for a decision. This must be based on and prepared in accordance with the latest approved methodology as set out in part A.

14. The licensee must make reasonable endeavours to ensure any FRCR submitted to the Authority under paragraph 12 includes the information set out in paragraph 14. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress outstanding issues.

15. Submissions made under paragraphs 12 or 13 must include:

(a) a detailed explanation of the consultation process undertaken in the development of the FRCR;

(b) a summary of the views received from interested parties as part of the consultation process and an explanation of how these were taken into account in the development of the FRCR; and

(c) copies of any formal responses submitted to the licensee as part of its consultation process.

16. The licensee must publish the FRCR on its website in such readily accessible form and manner that it considers will best facilitate engagement with stakeholders, and provide a copy of the FRCR on request, and free of charge, to any person who asks for one.

17. In complying with the requirements of paragraph 16, the licensee must have due regard to the need for excluding from the FRCR any information that would or might seriously and prejudicially affect the commercial interests of the owner of that information if published or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any omission of information from the FRCR report as published.

18. Each FRCR (including the initial FRCR) prepared in accordance with the methodology set out in part A must:

(a) set out:

Annex 5b – Governance Framework Licence Change

(All new text)

- (i) those risks to the secure operation of the system considered under the FRCR;
 - (ii) the likelihood and consequence of each such risk occurring;
 - (iii) the likely cost of securing the system against such risks;
 - (iv) the benefits to the consumer in mitigating such risks;
- (b) the licensee's assessment of continued effective operation of the system and their considered view of which risks should be secured representing the best value for money for consumers and balancing the likelihood of risks occurring and their consequence with the cost of mitigation.

19. The Authority will on receipt of a submission made by the licensee under paragraph 12:

- (a) approve the proposed FRCR and in particular the recommendations as detailed in 18 (b) of which operational risks the licensee will incur costs in securing the system against to avoid unacceptable frequency conditions; or
- (b) give direction to the licensee that the FRCR requires further development, and the date by which the licensee is required to submit a revised FRCR to the Authority for approval.

20. On approval by the Authority of the FRCR, the licensee shall ensure that the risks set out in the FRCR to be mitigated in its operation of the system shall reasonably be secured until the subsequent approval by the Authority of any update of the FRCR.

Part C: Provision of information

21. Based on the FRCR methodology set out in Part A, the licensee must provide licenced electricity operators if reasonably requested to do so:

- (a) with information and analysis to support them in their decision-making on, for example, operation of their plant and equipment;
- (b) with updated information and analysis to support submissions made to the Authority by the licensee and in such form and within such timescales as reasonably requested; and
- (c) In complying with the requirements of this paragraph, the licensee must have due regard to the need to exclude from disclosure any information which would or might seriously and prejudicially affect the commercial interests of the owner of that information if disclosed or might be expected to be incompatible with any legislation, rule of law or licence condition. The licensee must provide to the Authority its reasons for any non-disclosure of information.

22. The Authority may direct the licensee to submit additional information on any submissions made under this licence condition within such timeframe as the Authority may require in order to carry out any of its functions in relation to the assessment of submissions.