

# **Annex 5a – Governance Framework (Annex or Appendix to SQSS)**

*(All new text)*

## **Appendix H      Frequency Risk and Control Report Methodology and Application**

### ***Introduction***

H1. This appendix sets out the process for 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.

H2. The FRCR is required to provide a transparent and consulted assessment of the risk of *unacceptable frequency conditions* 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 National Grid ESO 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.

H3. The methodology underpinning the FRCR process, along with how this will be approved, is set out in Part A of this appendix. The requirements for the publication of the periodic FRCR are outlined in Part B. Obligations on parties regarding the provision of information underpinning the FRCR process are described in Part C. Together these activities make up the FRCR process.

### ***Part A: The Frequency Risk and Control Report (FRCR) methodology***

H4. National Grid ESO shall initially and thereafter as required or as 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.

H5. Following any consultation pursuant to paragraph H5, National Grid ESO 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 National Grid ESO may see fit, further submit to the Authority for approval an updated FRCR methodology.

H6. National Grid ESO must make reasonable endeavours to ensure the FRCR methodology includes the information set out in paragraph H10. Where this has not been possible, the licensee must explain the reasons and how it proposes to progress outstanding issues.

H7. Submissions made under paragraph H5 must include:

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

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(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.

H8. The Authority will on receipt of a submission under paragraph H5:

(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.

H9. The FRCR methodology must be designed to facilitate the economic assessment of the risk of *unacceptable frequency conditions* occurring on the National Electricity Transmission System and 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 H17;

(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 National Grid ESO's proposed timetable for updating and consulting on the FRCR methodology.

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

H10. National Grid ESO shall initially and at such other times as National Grid ESO 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.

H11. Following any consultation pursuant to paragraph H10, National Grid ESO 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 approval. This must 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 National Grid ESO may see fit, and as set out in paragraph H12, publish a revised FRCR and further submit this to the Authority for approval.

H12. Following publication of the initial FRCR, National Grid ESO 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 approval. This must be based on and prepared in accordance with the latest approved methodology set out in part A.

H13. National Grid ESO must make reasonable endeavours to ensure any FRCR submitted to the Authority under paragraph H11 includes the information set out in paragraph H14. Where this has not been possible, National Grid ESO must explain the reasons and how it proposes to progress outstanding issues.

H14. Submissions made under paragraphs H11 or H12 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.

H15. National Grid ESO 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.

H16. In complying with the requirements of paragraph H15, National Grid ESO 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

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be expected to be incompatible with any legislation, rule of law or licence condition. National Grid ESO must provide to the Authority its reasons for any omission of information from the FRCR report as published.

H17. Each FRCR (including the initial FRCR) prepared in accordance with the methodology set out in Part A must:

(a) set out:

(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) National Grid ESO'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.

H18. The Authority will on receipt of a submission made by the licensee under paragraph H11:

(a) approve the proposed FRCR and in particular the recommendations as detailed in H17 (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 National Grid ESO is required to submit a revised FRCR to the Authority for approval.

H19. 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***

H20. Based on the FRCR methodology set out in Part A, National Grid ESO 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 National Grid ESO and in such form and within such timescales as reasonably requested; and

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(c) In complying with the requirements of this paragraph, National Grid ESO 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 relevant legislation, code or licence condition. National Grid ESO must provide to the Authority its reasons for any non-disclosure of information.

H21. The Authority may direct National Grid ESO 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.