

FRCR Consultation Response Proforma**FRCR 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 Friday 24th February 2023**. 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 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 Assessment and Methodology Consultation questions		
1	Overall, do you agree that the FRCR represents appropriate development in determining the way that the ESO will balance cost and risk in maintaining security of supply while operating the system?	In principle we agree with the ESO's FRCR 2023 proposal to run the system at lower inertia level of 120GVA.s to save consumers money, however the paper does not include the calculation or analysis the ESO has used to support this decision, just the outcomes, so it is difficult to evaluate the ESO's conclusions and recommendations. Inertia is the most important system parameter for security of supply and it is imperative that the ESO shares more information as to how declining inertia and the relative costs are being managed with the rapid decline of synchronous generation that is currently providing the majority of inertia at low cost to consumers.
2	Do you agree that the FRCR has been prepared appropriately? Please elaborate.	We agree with the ESO's approach for analysing the risks/ benefits of operating the system at various lower inertia levels however as stated above the supporting analysis has not been shared, just the outcomes so it is really difficult to understand and evaluate the conclusions. For example, we know that the ESO would have used a power price curve to assess the opportunity cost

of running the system at lower levels (to reduce the level of BM and DC Costs etc) however it is not clear what level of costs the ESO has assumed.

It would therefore be good if the ESO could publish, even as an Annex:

1. The BM costs assumptions and the gas price curve used to derive the power price curve in forming their CBA. We note the ESO stated at their webinar on 20th Feb.23 that the gas price used was from last year so this might mean it is out of date given it has dropped c.50% since then. If true, how would this affect your calculation and conclusions for example?
2. The DC costs and holding volume assumptions for each of the 5 inertia levels assessed.
3. the contribution of each of the SPF1 &2 in this calculation which should impact this year out to Mar.2024 (it is not clear if this strategy is just for 2023 or Financial year 2023 but given how tight the system is especially over winter (as highlighted below) this level of granularity is important).
4. The assessment behind the estimation that inertia will only fall below 120GVA.s based on 2022 data? We've analysed the ESO's outturn inertia published values and it seems inertia fell 6% of the time below the 140GVA.s min. level last year (and 57% of the time in Dec.22 to Jan.23) In fact, on some days last year inertia levels were as low as 60-70GVA.s and with no discernible extra Balancing Costs so it would be useful if the ESO could explain this historical data in the context of concluding 120GVA.s is the lowest cost level for consumers.
5. Finally, the report states "*We have analysed our operability requirements across the system for every year from 2022 to 2035 which are detailed in our Operability Strategy Report (OSR)...using FES scenarios*" is it possible to have these forecasts published so that the market can plan and invest to deliver this critical

		<p>system service to meet the ESO's requirements?</p> <p>6.</p>
3	To help structure comments, do you agree with and what is your feedback on the specific recommendation in the FRCR?	Please use the boxes below for the bullet points – see above
4	Recommendation: Minimum inertia policy <i>Reduce minimum inertia policy from 140GVA.s to 120GVA.s</i>	<p>As discussed above it is difficult to make an informed decision on the ESO's recommendations when the supporting analysis has not been published. Based on the range of cost savings at the five 10GVA.s intervals we would agree with the FRCR recommendation that the optimal minimum inertia requirement should be 120GVA.s based on</p> <ul style="list-style-type: none"> the progress made through the ALoMCP and DC procurement. <p>We would agree that further reduction not recommended, based on the small number of periods where a lower inertia may provide a small consumer benefit and that it be introduced as an.</p> <ul style="list-style-type: none"> Initial reduction to 130GVA.s, for a one-to-two-month period, followed by a further reduction to 120GVA.s.
5	Do you have any suggestions for further areas that can be addressed in future editions of the FRCR?	Other impacts that should be prioritised for inclusion in future reports, include the power quality issue of how smaller frequency deviations impact users, and how often they occur.
6	Do you have any other comments?	We believe the 2 week consultation (10 business days) timeline for such an important and critical system parameter underpinning GB's electricity security of supply is too short and that it should be 3 – 4 weeks, especially as there was hardly any time to consider the outcome from the ESO's webinar 5 days ago and the fact that the Q&As from the session were only published 1 day before consultation end date. These would have been useful and efficient to feed into industry responses.