

Firm Frequency Response (FFR) Development

Outline Change Proposals Document (OCP-01)

Responses to this consultation should be sent to
energy.operations@uk.ngrid.com

by 5pm on 11th November 2011

Respondent:	<i>Simon Lord</i>
Company Name:	<i>International Power</i>

Question 1 – Do you consider that the response time permitted for Providers to respond to an OCP should be increased from the current 10 Business Days, to 20 Business Days? If not, can you recommend a more appropriate timescale?

Yes although where further details may need to be provided (e.g. a detailed procedure to implement a policy) the consultation time limit will need to start from the point at which all relevant information is available i.e. the procedure for a policy will need to be available at the same time as the OCP is published.

Question 2 – Do you consider that a period of 20 Business Days following receipt of responses to an OCP from Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP? If not, can you recommend a more appropriate timescale?

Yes this seems appropriate.

Question 3 – Do you consider that an increased period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices? If not, can you recommend a more suitable timescale?

Yes.

Question 4 - Do you consider the new proposed tender dates to be an appropriate simplification? If not, can you recommend a more suitable timescale?

Yes.

Question 5 - Do you consider the removal of maximum response capability from the tender sheets to be an appropriate simplification? If not, please explain your reasons.

Yes.

Question 6 – Do you consider that publishing the minimum response energy for units which have tendered a range of part load points in the Tender Report is appropriate?

Yes.

Question 7 - Do you consider the proposed methodology for performance monitoring an improvement to the current methodology?

In principle we believe that targeted performance monitoring is appropriate when systematic underperformance is suspected. The proposed penalty at 5% of the monthly option fee for each event where less than 80% is delivered is excessive especially when compared to the STOR penalty regime where 1% is applied for each event of default. We also have concerns that a mechanistic approach to performance monitoring may result in penalties being applied inappropriately without an appeals route.

We believe that the most appropriate solution to this issue is via an ‘escalation type’ method, we suggest a 4 stage approach:-

1. Dialogue with the provider based on one second delivery metering for any performance issues.
2. The provider should be formally notified that targeted monitoring will take place to identify any performance issues. It is proposed that the further [1%] monthly penalty would not apply until after notice has been given. This will allow the provider to resolve any issues they were unaware of.
3. Escalation to routine monitoring of all events below 49.8 Hz where failure to provide at least 80% of the required delivery over a minimum 120 second period (based on the primary/high characteristics) results in the loss of a 4 hour window position and availability fee. We feel that the penalty should not be based on the actual window length as these are determined by NG and will result in providers who run base load receiving a much greater initial penalty.
4. Where there are four or more days with penalties in a month a further penalty of [1%] of the monthly option fee might be applied but there should be a clear appeals/ escalation process laid out down based on NG customer commitment documentation.

Termination should be used only as a last resort (where there is a clear breach of performance) and should not be part of the monitoring terms but in the general terms as at present.

Question 8 – Would you support the introduction of a Performance Monitoring Guidance document?

This will need to be part of the standard terms if there is any link to penalty provisions. The governance of a guidance document would need to be fully understood and providers would need to have the same ability to comment on drafts, propose changes and flag up issues of concern. The monitoring of performance against frequency is a complex subject and an approach that simply uses response matrix tables and sampled frequency may deliver a good result but there will always be exceptions driven by the shape of the outturn frequency.

Question 9 - Do you have any comments regarding the inclusion of a Bribery Clause in the FFR Standard Contract Terms?

This should be included.

Question 10 - Do you agree that National Grid should make it clear that contracts are formed with individual units within a FFR Tender Acceptance letter?

This is clear at the moment.

Scottish Power Response to FFR OCP-01

FFR OCP Response

Question 1 – Do you consider that the response time permitted for Providers to respond to an OCP should be increased from the current 10 Business Days, to 20 Business Days? If not, can you recommend a more appropriate timescale?

Question 2 – Do you consider that a period of 20 Business Days following receipt of responses to an OCP from Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP? If not, can you recommend a more appropriate timescale?

Question 3 – Do you consider that an increased period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices? If not, can you recommend a more suitable timescale?

Yes, the proposed timescales in questions 1 to 3 are appropriate as they are in line with CUSC amendments and STOR SCTs.

Question 4 - Do you consider the new proposed tender dates to be an appropriate simplification? If not, can you recommend a more suitable timescale?

Yes. The simplification of tender dates would be a welcome change to the current process.

Question 5 - Do you consider the removal of maximum response capability from the tender sheets to be an appropriate simplification? If not, please explain your reasons.

Yes. The only reservation would be if the tender was assessed using incorrect capabilities as the FFR provider would not be in control of supplying the relevant response volumes. It would be worth adding a clause that allowed the FFR provider to dispute volumes (if necessary) on publication of the tender report and subsequently ahead of the tender being assessed.

Question 6 – Do you consider that publishing the minimum response energy for units which have tendered a range of part load points in the Tender Report is appropriate?

Yes. The report should publish minimum responses in line with the assessment methodology.

Question 7 - Do you consider the proposed methodology for performance monitoring an improvement to the current methodology?

Yes, this proposal is an improvement however it would be appropriate for National Grid to notify a provider at its earliest opportunity if they believe the provider is under-performing. This would potentially allow the provider to resolve any issues they may not previously have been aware of and subsequently would be to the benefit of both National Grid and the provider. In addition, performance monitoring should be carried out across the market, including mandatory providers, to ascertain the level of performance. Penalising providers of FFR without knowing the level of performance of the rest of the market seems unreasonable.

Question 8 – Would you support the introduction of a Performance Monitoring Guidance document?

Yes, using the same methodology and increasing transparency would be a welcome change.

Question 9 - Do you have any comments regarding the inclusion of a Bribery Clause in the FFR Standard Contract Terms?

We support the inclusion of a bribery clause in the SCTs and would support the inclusion of this clause in all other balancing services contractual terms.

Question 10 - Do you agree that National Grid should make it clear that contracts are formed with individual units within a FFR Tender Acceptance letter

Yes, this would avoid any potential confusion.

SSE Response to FFR OCP-01

Question 1 – Do you consider that the response time permitted for Providers to respond to an OCP should be increased from the current 10 Business Days, to 20 Business Days? If not, can you recommend a more appropriate timescale?

Yes.

We are mindful that the Code Administrator Code of Practice (Principle 10) indicates that, in absence of extenuating circumstances (such as the need for 'urgency') the standard consultation period should be a minimum of 15 Business Days. However, in light of the detailed nature of the issues required of Providers it seems appropriate to extend the period to 20 Business Days (plus the proposed 20 Business Days for National Grid to action - see Question 2 below).

Question 2 – Do you consider that a period of 20 Business Days following receipt of responses to an OCP from Providers is an appropriate timescale for National Grid to give due consideration to these responses and notify of its intention to either withdraw or modify the proposals, or implement them via the publication of a DCP? If not, can you recommend a more appropriate timescale?

Yes.

In light of our answer to Question 1 above, we agree that a period of 20 Business Days is an appropriate period for National Grid to consider, respond and notify.

Question 3 Do you consider that an increased period of 20 Business Days would be more appropriate than the current timescales in the interests of arriving at a mutually beneficial negotiation of Special Condition(s) or contract prices? If not, can you recommend a more suitable timescale?

Yes.

The current timescale for arriving at a mutually agreeable position is unrealistic for both sides - and presumably especially for National Grid who, in a 'worst case', may have to negotiate with all the counter parties. Extending the 5 to 20 Business Days is a pragmatic way to proceed.

Question 4 - Do you consider the new proposed tender dates to be an appropriate simplification? If not, can you recommend a more suitable timescale?

Yes.

Question 5 - Do you consider the removal of maximum response capability from the tender sheets to be an appropriate simplification? If not, please explain your reasons.

Yes.

Question 6 – Do you consider that publishing the minimum response energy for units which have tendered a range of part load points in the Tender Report is appropriate?

Yes.

Question 7 - Do you consider the proposed methodology for performance monitoring an improvement to the current methodology?

We note the wording in paragraph 43, namely:-

"Where National Grid has uncertainty over the performance of an FFR unit its performance will be monitored during incidents"

The criteria that National Grid will be applying to determine its 'uncertainty' should be made available to all market participants in advance to avoid the suggestion of discrimination if (or when?) National Grid looks to monitor the performance of one provider (A) but not another provider (B) when similar performance variances arise with both plant A and plant B.

For the avoidance of doubt, the monitoring should only occur where National Grid can demonstrate that an 'uncertainty' over performance that meets the criteria has occurred.

It is also not clear how long this monitoring will last - one interpretation of the wording "Each month National Grid will monitor the unit's performance" could be that the monitoring will last for the duration of the contract. This seems unduly draconian as well as inefficient if the 'uncertainty' no longer remains.

In our view National Grid, where it has this 'uncertainty', should monitor performance for either (i) up to one month only or (ii) only "four events where the frequency has exceeded the operational limits" after the uncertainty arose (where the selection of the four events is according to a published selection methodology, or in the published criteria we refer to above).

Furthermore, we note that monitoring during frequency excursions ≥ 0.1 Hz can result in monitoring for a very short period for a very small response which leaves very little margin for error. For this reason, National Grid should demonstrate that their monitoring equipment is calibrated (we understand that there have been issues in the past over equipment calibration).

National Grid should also, in our view, alert the counter party:-

- a) that they (National Grid) has this 'uncertainty';
- b) the nature of this 'uncertainty' - to allow the counter party, if it wishes / is able, to provide National Grid with an explanation;
- c) the start date for the monitoring;

d) when the monitoring has concluded; and

e) provide the counter party with feedback on the results of the monitoring (ideally this feedback should be as near instantaneously as possible, to allow performance to be corrected at the earliest opportunity, and thus to ensure a speedy return to 'certainty' from 'uncertainty').

In addition, whilst we accept the principle of payment for performance (will percentage performance measure (PPM) be applied to tender prices?) we caution National Grid to consider the 'law of unintended consequences' - if providers of frequency response are not receiving payment for a service they are providing (if only in part) then they will, presumably, seek either (i) to rectify their performance (a very desirable outcome) or (ii) withdraw from this sector of the market (a very undesirable outcome). National Grid should recognise that there maybe a fine line between (i) and (ii).

Question 8 – Would you support the introduction of a Performance Monitoring Guidance document?

Yes.

Question 9 - Do you have any comments regarding the inclusion of a Bribery Clause in the FFR Standard Contract Terms?

We welcome the inclusion of a Bribery Clause in light of the new Bribery Act, although we note that the inclusion (or absence) of such a clause would not, of course, absolve us of our legal obligations to comply with the Act.

Question 10 - Do you agree that National Grid should make it clear that contracts are formed with individual units within a FFR Tender Acceptance letter?

Yes.

[end]