SP ENERGY NETWORKS

Network Planning & Regulation

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Ofgem
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Date
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Contact / Extension
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Dear Alastair,

Consultation on licence amendments to facilitate the introduction of an Electricity System Restoration Standard

This response is from SP Transmission (SPT) which holds the transmission licence for the south and central Scotland.

We very much welcome the introduction of a new legally binding Electricity System Restoration Standard (ESRS), recently announced by BEIS. SPT, as a transmission owner and member of the E3C and the Black Start Task Group, has been calling for some time now on the need for a GB-wide Restoration Standard. We are therefore pleased to have the opportunity to comment on the proposed amendments to the ESO's licence conditions to facilitate the introduction of an ESRS.

ESO compliance with the ESRS

We welcome the fact that these proposed licence changes are being proposed now, to ensure that the ESO adheres to this new Standard, from the current intended date of 31st December 2026. Once the ESRS has been set by the BEIS Secretary of State, the ESO will need to ensure there is sufficient capability and appropriate arrangements in place across the electricity sector, and across all regions, to restore electricity supplies to consumers within the target restoration timeframes. We consider the timeline to 31st December 2026 is an appropriate period in which the ESO must work with the TOs, DNOs and restoration service providers to ensure that the necessary facilities and capabilities are in place to support the ESRS. Investment in network infrastructure and generation plants will be required, as will widespread changes to the relevant grid codes, all of which the ESO must show strong and collaborative leadership on.

We are in absolute agreement with Ofgem that monitoring the ESO's compliance with the ESRS, following implementation, is very important to instil confidence in the reliability, resilience and restoration capability of the GB electricity system. Ofgem is proposing that the ESO will use its existing Restoration Model as the central tool for monitoring compliance with the ESRS. As Ofgem notes, the ESO has developed a Restoration Model with input from industry. Regular engagement with TO's, DNO's and restoration service providers with regards to the continued validity of the Restoration Model over time and its input parameters, will be vital. This must also include provisions for overviewing the ESRS model itself. The assurance framework must therefore facilitate

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engagement and appropriate transparency, such that key industry stakeholders can have confidence in the model and its outputs, noting its link to, amongst other things, investment requirements and decisions.

It will also be important that a wider governance procedure is put in place on the relevance of the ESRS itself. As part of the development of the ESRS, we expect both BEIS and Ofgem to provide further details on what a robust and transparent monitoring and governance framework will look like, for this new Standard, in due course.

SPT has responded to the consultation questions below (Annex 1). We have also enclosed an Issues Log (Annex 2) with detailed comments on the proposed ESO licence amendments.

Please do not hesitate to get in touch if you would like further details on the points raised in this response.

Yours sincerely

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ANNEX 1

SPT's response to Consultation Questions

1: Do you agree that we should modify the ESO's licences to allow the BEIS SoS to set an obligation on the ESO to comply with an ESRS?

SPT is supportive of Ofgem modifying the ESO's licence, allowing the Secretary of State to obligate the ESO to comply with the new Electricity System Restoration Standard (ESRS).

We are in agreement that the ESO should be accountable for ensuring compliance with the ESRS by having sufficient capability and arrangements in place to restore 100% of GB electricity demand within 5 days and an interim target of 60% of regional demand within 24 hours.

One way in which this Standard will be achieved is by ensuring, through the ESO's new licence condition, that the ESO is obligated to work closely with TOs, DNOs and restoration service providers on what is required to be connected onto the GB system, as well as additional facilities and capabilities, to allow the ESRS to be met. In developing the necessary system requirements, the ESO's thinking must be driven by the system security requirements of the GB electricity network and not influenced by the availability of restoration services.

In the event of a widespread failure event, i.e. a Black Start event as currently defined, existing arrangements should continue whereby in the event that electricity system restoration is required, the ESO will work closely with the TOs and other parties to restore power in a timely, effective and safe manner. Such an approach should also continue as this Standard is developed for electricity restoration events in the future, including those arising from the introduction of Distributed Restart.

2: Do you agree that SpC 2.2 should focus primarily on obligations to implement the ESRS and obligations to demonstrate the ESO's compliance with it?

It is important that SpC 2.2 is focused on implementation of the ESRS and the ESO's compliance with these new obligations. SpC 2.2 will be important to demonstrate to Government, key industry stakeholders and customers alike, how the Standard is to be met and the ESO's role in maintaining compliance with this Standard. It must be borne in mind that consumers will ultimately pay for ensuring that this Standard is achieved and maintained across the GB system.

We are in agreement that the current regulatory framework is effective in allowing the TOs, DNOs and generators to define the technical requirements necessary for fulfilling restoration of the Total System. It is therefore imperative that the ESO fully engages with the TOs, DNOs and restoration service providers, on an ongoing basis, across Local Joint Restoration Plan (LJRP) zones, to ensure that the key parties are confident the right technical and organisational mechanisms are in place to meet the ESRS. The introduction of Distributed Restart means that, in the future, current arrangements will also be supplemented by Distribution Restoration Zones (and Plans).

In relation to the requirement for the ESO to produce an ESR Assurance Framework, we agree that the obligations associated with the current Black Start Strategy must be incorporated into this

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new framework. In relation to the terminology we do consider that the new term “ESR Assurance Framework” is ambiguous and unclear when compared to the current term “Black Start Strategy”, which is explicitly clear what the document is and its function.

3: Do you agree with integrating the approach to regulating restoration services procurement into the StC C16 obligations?

We agree that is makes sense to align and streamline the StC C16 ex-post reporting obligations to ensure that it aligns with the regulatory year and the ESO’s incentives process, given that the ESO performance and expenditure on ESR activities will be considered through the ESO’s overall incentives scheme, with restoration costs also included in the overall balancing costs metric.

We would offer caution at restoration services costs being considered as part of the overall balancing costs metric. As we know, the ESO is under significant pressure to reduce its balancing costs metric, which can be a consequence of operating an electricity system with high renewable capacity. There is a risk that that the ESO could be influenced to cut costs in this area, to reduce costs in the overall balancing costs metric, when it is fundamental that meeting the ESRS is led by the system security requirements of the GB electricity network.

4: Do you agree that the proposed assurance framework (including the independent assessment) is proportionate and will provide sufficient confidence that the ESO will be able to meet the ESRS?

We note that Ofgem is proposing that the ESO will use its existing Restoration Model as the central tool for monitoring compliance with the ESRS. As Ofgem notes, the ESO has developed a Restoration Model with input from industry. Regular engagement with TO’s, DNO’s and restoration service providers, with regards to the continued validity of the Restoration Model over time and its input parameters, will be vital.

The assurance framework should facilitate such engagement and appropriate transparency, such that key industry stakeholders can have confidence in the model and its outputs, noting its link to, amongst other things, investment requirements and decisions.

We welcome the proposal for the ESO to draft and consult on an ESR Assurance Framework that will be submitted to Ofgem for approval and then published annually on the ESO’s website. It is important that this Framework is reviewed and refreshed on a regular basis in dialogue with TOs, DNOs and restoration service providers.

We agree that the ESR Assurance Framework should include ex-ante modelling of restoration times for the subsequent year as well as ex-post modelling using real world electricity data. Given the UK’s transition to a Net Zero economy, the Framework must consider ESRS compliance during periods of low renewable generation availability as well as periods of high renewable generation availability. We would expect the ESO to be in close dialogue with electricity licensees as it develops this Framework, ahead of any more formal consultation process, as these parties have a

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key role to play in assessing the technical compliance with the ESRS and responding to any NETS failure.

5: Does replacing the term "black start" with "Electricity System Restoration" in the licence conditions have any implications for industry codes or other GB governance documentation? Please explain.

If, as proposed, the decision is taken to introduce the new term "Electricity System Restoration" there will be a need to undertake a full review of GB Industry Codes (including Grid Code, System Operator Transmission Owner Code (STC), the STCPs, Distribution Code, Balancing and Settlements Code) as well as the System Restoration Plan to identify where all changes are required. The term 'Black Start' is widely recognised and has been extensively used and embedded within GB Codes and associated documents for many years. Given the magnitude of the task at hand, and the resource implications of this exercise, the ESO and relevant Code Administrators should commence work in this area at the earliest opportunity.

A full review will also need to be undertaken by Ofgem of the ESO's RIIO-2 Licence, the RIIO-T2 licences of the TOs, the RIIO-ED1 licences of the DNOs and generation licences to amend all existing references to "Black Start".

6: Do you have any comments or suggestions on the proposed licence text modifications?

Our detailed comments on the proposed ESO licence modification can be found in the enclosed Issues Log at Annex 2.

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