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*Promoting choice and value for
all gas and electricity customers*

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Date: 28 February 2012

Dear Ms Mahy,

Direction issued pursuant to Special Condition AA5J of National Grid Electricity Transmission Plc's Electricity Transmission Licence: Requirement to develop the balancing services activity revenue restriction in relation to external costs for new Black Start service provision

Special Condition AA5J of National Grid Electricity Transmission Plc's Electricity Transmission Licence places an obligation on National Grid Electricity Transmission (NGET) to publish a statement setting out its approach to determining and procuring an economic level of Black Start provision on an ongoing basis (the statement). Special Condition AA5J also requires NGET by 31 March 2012 or such later date as may be agreed in writing by the Authority to review the mechanism by which the value of $BSTC_p$ (the target cost for Black Start in respect of NGET's balancing services activity revenue restriction) may be determined from 1 April 2013 so that it continues to provide an appropriate incentive to NGET to procure an economic and efficient level of Black Start services.

NGET provided its initial draft of the statement to the Authority on 7 December 2011. NGET has provided subsequent iterations of the draft statement taking into account comments provided by Ofgem by email, conference call and in a meeting at NGET's Wokingham offices on 12 January 2012. These subsequent iterations also included an annex that NGET considered contained confidential information that should not be included as part of the statement to be published on its website.

Whilst Ofgem recognises that the latest draft of the statement provides information relating to NGET's determination and procurement of Black Start services, Ofgem considers that further changes to the statement are required such that it provides interested participants, in addition to Ofgem, with sufficient information such that they are able to determine NGET's approach to determining and procuring an economic and efficient level of Black Start service provision on an ongoing basis. In particular, the Authority considers that the following changes need to be made to the statement:

- In section 2 (Determining a Black Start strategy) clear details as to what is taken into account in order to ascertain what levels of Black Start are required should be included. The intention is that a high level set of criteria, including an explanation of what the basis for these is, is clearly discernable. This should, for example, include the required restoration times to be met and the methodology for determining how these can be met. The process for making changes to the criteria for determining the level of Black Start provision should also be set out.
- In section 2 further details of the model developed by the Electricity Task Group should be provided, including how the model will be used going forward and how

and when any updates will be made to it. The role of this model in influencing decisions on the required level of Black Start provision should be clearly set out.

- Section 5 (Ongoing Black Start Considerations) should include further details of how future network and generation developments will be taken into account when considering Black Start requirements. For example, the extent to which non fossil fuel generation could provide Black Start services and the extent to which additional renewable generation on the system will alter the levels of Black Start required.
- That the contents of the annex, with the exception of specific numbers set out within it, should be included in the main body of the statement and therefore should be published on the NGET website.

The Authority therefore directs NGET to make the changes to the statement as set out in the Annex to this Direction.

In respect of the requirement on NGET to review the mechanism by which the value of $BSTC_p$ may be determined by 31 March 2012, NGET wrote to Ofgem on 15 February 2012 requesting that the Authority agrees to this date being amended to 31 May 2012. NGET considered that this change was appropriate, such that the work required under this Licence Condition can be concluded in the same timeframe as other work being undertaken to develop the external system operator incentives from 1 April 2013. NGET proposes to include this work in its business plans to be submitted to the Authority on 31 May 2012.

Ofgem agrees with NGET's view that it would be appropriate for NGET to include its work in respect of the costs of Black Start within its business plans and therefore that its review of the mechanism by which the value of $BSTC_p$ may be determined should be submitted to the Authority by 31 May 2012.

Please contact Lisa Martin (lisa.martin@ofgem.gov.uk) if you have any further questions relating to this direction.

Yours sincerely,

Martin Crouch
Partner, European Wholesale
Duly authorised on behalf of the Gas and Electricity Markets Authority

Annex

Required changes to the revised draft statement setting out NGET's approach to determining and procuring an economic and efficient level of Black Start service provision on an ongoing basis (the revised draft statement) submitted to the Authority on 1 February 2012

Following consideration of the revised draft statement submitted to the Authority by NGET on 1 February 2012, and further discussion between NGET and Ofgem, the Authority directs the following changes to the revised draft statement:

- In section 2 (Determining a Black Start strategy) clear details should be included as to what is taken into account in order to ascertain what levels of Black Start are required. This should include (but is not limited to) the required restoration times to be met and the methodology for determining how these can be met. Detail should also be provided as to how changes are made to the process for determining the level of Black Start provision.
- In section 2 (Determining a Black Start strategy) further details of the model developed by the Electricity Task Group to be provided, including how the model will be used going forward and how and when any updates will be made to it.
- In section 2 (Determining a Black Start strategy) paragraph 2.4, clarification to be provided as to whether the reference to a DNO managing a maximum of two plans is in respect of an individual DNO area or a DNO group (which may cover more than one area).
- In section 3 (Black Start service requirements) paragraph 3.1 the following should be added to the list:
 - Expected reliability of station; and
 - Start up time from cold.
- In section 3 (Black Start service requirements) paragraph 3.9, the word "level" should be amended to "duration".
- In section 4 (Black Start station procurement process) paragraph 4.5, further detail should be provided in respect of NGET's process for ensuring that feasibility costs are minimised when more than one potential service provider is identified.
- In section 5 (Ongoing Black Start Considerations) further details should be provided as to how future network and generation developments will be taken into account when considering Black Start requirements. This should include (but not be limited to) the extent to which non fossil fuel generation could provide Black Start services and the extent to which additional renewable generation on the system will alter the levels of Black Start required.
- In section 6 (summary) reference is made to the procurement of Black Start services from generators that are connected to a relevant distribution network. Information regarding the potential for embedded generators to provide Black Start services should be included in section 3 (Black Start service requirements).
- The contents of the annex should be incorporated into the main body of the statement. The specific numbers set out within the annex including in respect of NGET's current contracts and the sections entitled "Black Start contracting pre-2016" and "Black Start contracting post-2016" should be excluded.