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Email: esoperformance@ofgem.gov.uk

Date: 29 June 2018

Dear Company Secretary,

Black Start Strategy and Procurement Methodology: the Authority's decision

This letter sets out the Authority's¹ decision to approve the Black Start Strategy and Procurement Methodology ("the methodologies") submitted by National Grid Electricity Transmission ("NGET") on 2 April 2018. The methodologies were submitted pursuant to Part A and Part B of Special Condition 4G of NGET's Electricity Transmission Licence and the Authority has determined to approve the methodologies under Part C of the same condition.

Background

Black Start is the process used to recover from an event which results in the full or partial shutdown of the transmission system. Isolated power stations are started individually without an external power supply, and gradually reconnected in order to re-energise the system. NGET, as the System Operator (SO) in Great Britain (GB), has an obligation under the Grid Code² to ensure Black Start capability is available.

On 1 April 2017 we introduced a new regulatory framework for determining the allowed revenue derived from Black Start that NGET may recover each year.³ In addition to the submission of the methodologies, NGET is required by Part E of Special Condition 4G to submit the total costs associated with the provision of Black Start provision to the Authority for an *ex post* assessment at the end of each Relevant Year. We will then determine whether the total costs were incurred in accordance with the approved methodologies.

NGET's submissions

On 2 April 2018, NGET submitted the methodologies to satisfy its obligations under the framework.

Part A of Special Condition 4G specifies that the Black Start Strategy must provide an explanation of the short, medium (one to three-year time horizon), and long-term

¹ The terms "we", "us", "our", "Ofgem" and "the Authority" are used interchangeably in this document and refer to the Gas and Electricity Markets Authority. Ofgem is the office of the Authority.

² As set out in Grid Code CC6.3.5 and OC9.4.7.12.

³ <https://www.ofgem.gov.uk/publications-and-updates/decision-electricity-system-operator-incentives-april-2017-modification-standard-and-special-licence-conditions-transmission-licence>

(beyond the three year time horizon) strategy for Black Start provision. This must include details on the Restoration Approach⁴ selected by NGET, the required Minimum Service Level⁵ to contract, consideration of an appropriate Restoration Time,⁶ and identification of potential new technologies and approaches for Black Start. The Black Start Strategy sets out how NGET will approach the delivery of Black Start, which in turn, will inform its Procurement Methodology.

Part B of Special Condition 4G requires the production of a Procurement Methodology for the purpose of determining that any procurement of Black Start during a Relevant Year is economic and efficient. This should include an explanation of how NGET will ensure that the Minimum Service Level, as specified in the Black Start Strategy above, will be met and a methodology for determining the value to current and future electricity consumers in GB of the Black Start service. It must also include an explanation of the process by which NGET will procure services and how it will assess offers by providers, a methodology for determining the value of each Black Start contract, and the methodology for determining the efficiency of Black Start Feasibility Studies.⁷ The Procurement Methodology provides a framework for NGET to procure Black Start service provision in an economic and efficient manner and will form the basis for our *ex post* cost assessment process.

The Authority has considered the methodologies submitted by NGET and determined that they provide sufficient detail on each of the detailed requirements set out in Parts A and B of Special Condition 4G. The Authority has therefore determined to approve the methodologies.

The Authority's decision and next steps

The Authority considers that the methodologies submitted meet the detailed requirements set out in Special Conditions 4G.3 and 4G.4 and therefore, pursuant to paragraph 4G.5 of Special Condition 4G, has determined that the methodologies should be approved.

As noted above, the methodologies will now form the basis of our assessment of any of the end of year *ex post* total costs assessment as detailed in Part F of Special Condition 4G. Pursuant to Special Condition 4G.7, NGET must now publish the approved methodologies on its website as soon as practicable. NGET must submit a revision to the methodologies at least once a year. We expect these revisions to take into account the wider work by government and industry in this area.

We also note that NGET's 2018 Black Start Strategy includes work that is planned for the short term that was previously included in the medium term timeframe: Service splitting; Islanding/Trip to House Load; Wind generation; and work relating to Interconnectors. With the above areas of focus now planned for the short term, we will expect an evolution of the methodologies in 2019, or justification why their work programme has not produced a change in those documents.

By approving the 2018/2019 methodologies we are not prejudging any other decisions that we may make in relation to Black Start, e.g. a decision to approve/reject Network

⁴ The method by which the licensee would Black Start the National Electricity Transmission System.

⁵ The minimum service level required to provide an appropriate Black Start Capability for Great Britain.

⁶ The time the licensee expects it would take to energise a part or parts of the National Electricity Transmission System following a Total Shutdown or Partial Shutdown (each as defined in the Grid Code).

⁷ Work undertaken by the licensee and any potential New Provider in order to assess the ability of the potential New Provider to provide Black Start services.

Innovation Competition (NIC) funding. Any submission will be judged under the relevant criteria for that particular scheme.

Yours sincerely,

Steven Becker

Head of ESO Regulation, SO/DSO, Systems & Networks

Duly authorised on behalf of the Gas and Electricity Markets Authority

29 June 2018