

System Operators, Transmission
Network Owners, Distribution
Owners, Generators, Suppliers,
Traders, Power Exchanges,
Aggregators Customers and
Other Interested Parties

Email: esoperformance@ofgem.gov.uk

Date: 04 May 2021

Dear colleagues,

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

This letter comprises the Authority's¹ decision to approve the new black start Strategy and Procurement Methodology (the "Methodologies"), submitted by the Electricity System Operator ("ESO") on 6 April 2021. The Methodologies were submitted pursuant to Part A and Part B of Special Condition 4G of the ESO's Electricity Transmission Licence. The Authority has determined to approve the Methodologies in accordance with Part C of Special Condition 4G.

Background

Black start is the process used to recover from an unlikely event which results in the full or partial shutdown of the electricity transmission system. It involves isolated power stations being started individually without an external power supply, and then being gradually reconnected in order to re-energise the system as a whole. The ESO has an obligation under the Grid Code² to ensure black start capability is available at all times.

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

The ESO's Submissions

On 3 April 2020, the ESO submitted the Methodologies to satisfy its code and licence obligations. The ESO also gave industry stakeholders the opportunity to provide feedback

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>

on its draft methodologies via a 30 day consultation prior to submission to the Authority. The ESO then incorporated this feedback, which was generally supportive, into its submitted version of the Methodologies.

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 (beyond the three year time horizon) strategy for black start provision. This must include details on the Restoration Approach⁴ selected by the ESO, 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 the ESO will approach the delivery of black start, which in turn, informs its Procurement Methodology.

Part B of Special Condition 4G requires the production of a Procurement Methodology for the purpose of determining that procurement of black start during a Relevant Year is "economic and efficient." This must include an explanation of how the ESO will ensure that the Minimum Service Level, as specified in the Black Start Strategy, will be met and a methodology for determining the value to current and future electricity consumers in GB. It must also include an explanation of the process by which the ESO 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 thus forms the basis for our *ex post* cost assessment process.

In our 2020 decision, on the previous iteration of the Methodologies,⁸ we asked the ESO to expand further on its intentions for the Distributed Restart Project which is due to reach completion in December 2021. As a result, the ESO has included a high level overview of the timelines for its Distributed Restart project in this year's iteration of the Methodologies. It has also provided more information on its plan to build on the competitive procurement events that have been completed in the Northern, Southwest and Midlands zones. The ESO has stated that launching a full tender for South East zone in April 2022 is an upcoming key milestone. We furthermore asked the ESO to provide an update on how it proposes to integrate wind generation into its restoration plans. The COVID-19 pandemic limited the progress the ESO was able to make in this area, however they did provide a more detailed update on their engagement with the wind industry.

The Authority's decision and next steps

The Authority considers that the Methodologies submitted satisfy the requirements set out in Special Conditions 4G.3 and 4G.4, and moreover have implemented the improvements requested by us in our decision on the previous iteration of the Methodologies. In reaching our decision, we have also taken into account the consultation responses from industry stakeholders. Accordingly, pursuant to paragraph 4G.5 of Special Condition 4G, the Authority 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, the ESO must now publish the approved Methodologies on its website as soon as practicable. The ESO must also submit any revision to the Methodologies for our approval by 6 April 2022 (pursuant to Special Condition 4G.9).

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.

⁸ The decision is available at: <https://www.ofgem.gov.uk/publications-and-updates/20202021-black-start-strategy-and-procurement-methodology-authority-s-decision>

In next year's iteration of the Methodologies, as the Distributed Restart Project will have reached its conclusion in this reported period, we would like to see the ESO build on this year's iteration and provide a more granular view of the expected progress of the project where possible.

Given the ESO's 2025 vision, where it commits to being able to operate the system carbon free, we also request that it proposes the steps it intends to take to be able to do so whilst maintaining sufficient black start capability in its long-term strategy.

Yours sincerely,

Adam Gilham

Senior Manager, ESMS

Duly authorised on behalf of the Gas and Electricity Markets Authority

04 May 2021