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Date: 31 July 2019

Dear Colleague,

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 System Operator ("NGESO") on 3 April 2019. The methodologies were submitted pursuant to Part A and Part B of Special Condition 4G of NGESO'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. This process involves isolated power stations being started individually without an external power supply, and then being gradually reconnected in order to re-energise the system. NGESO has an obligation under the Grid Code² to ensure Black Start capability is available.

On 1 April 2017 we introduced a regulatory framework for determining the allowed revenue derived from Black Start that NGESO may recover each year.³ In addition to the submission of the methodologies, NGESO 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.

NGESO's submissions

On 3 April 2019, NGESO submitted the methodologies to satisfy its obligations under this 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 (beyond the three year time horizon) strategy for Black Start provision. This must include details on

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>

the Restoration Approach⁴ selected by NGESO, 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 NGESO 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 any procurement of Black Start during a Relevant Year is economic and efficient. This should include an explanation of how NGESO 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 NGESO 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 NGESO 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 NGESO 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, NGESO must now publish the approved methodologies on its website as soon as practicable. NGESO must also submit any revision to the methodologies by 3 April 2020. We expect these revisions to take into account the wider work by government and industry in this area.

In our 2018 decision⁸ on the previous iteration of the methodologies, we asked the ESO to show us what progress had been made in the elements of their strategy that was scheduled for short term development. These elements were service splitting; islanding/trip to house load; wind generation; and work relating to interconnectors. The ESO has included a section in this year's iteration summarising the progress that has been made against those short term goals, and we are satisfied that that they have made progress on those elements.

In this year's submitted methodology, NGESO proposes to further investigate elements that were noted in last year's version as part of the future development strategy for Black Start, and it is encouraging to see that the ESO will continue to explore and refine these workstreams. However, we expected the methodologies to include more details and clearer milestones on the novel workstreams, such as NGESO's plan to introduce competitive tenders into their Black Start procurement strategy.

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 Our decision can be found at the following address: <https://www.ofgem.gov.uk/publications-and-updates/20182019-black-start-strategy-and-procurement-methodology-authority-s-decision>

In next year's iteration of these methodologies, we would like to see NGENSO setting clearer milestones, as we believe that this will help the industry to understand the direction of travel for Black Start services in GB. In addition, we would also like to see the outputs from NGENSOs short term strategic work such as introducing competition for Black Start services, and the latest developments from initiatives such as the Network Innovation Competition project on distributed energy resources incorporated into the methodologies.

Yours sincerely,

Eleanor Warburton

Deputy Director, ESO and Gas Systems, Systems and Networks

Duly authorised on behalf of the Gas and Electricity Markets Authority

31 July 2019