

Distributed ReStart



Leonardo Costa

Distributed ReStart,
Senior Manager, Ofgem



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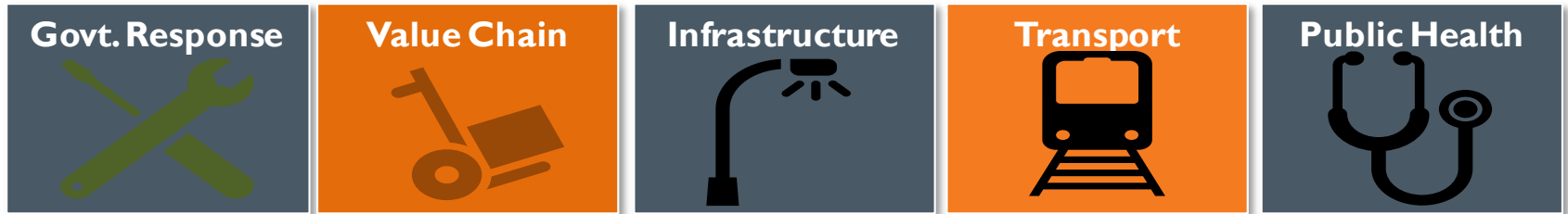
The role of regulation in black start



Black Start is the recovery process from a total or partial shutdown of large parts of the transmission system

ESO is required under the Grid Code to ensure it has sufficient black start capability

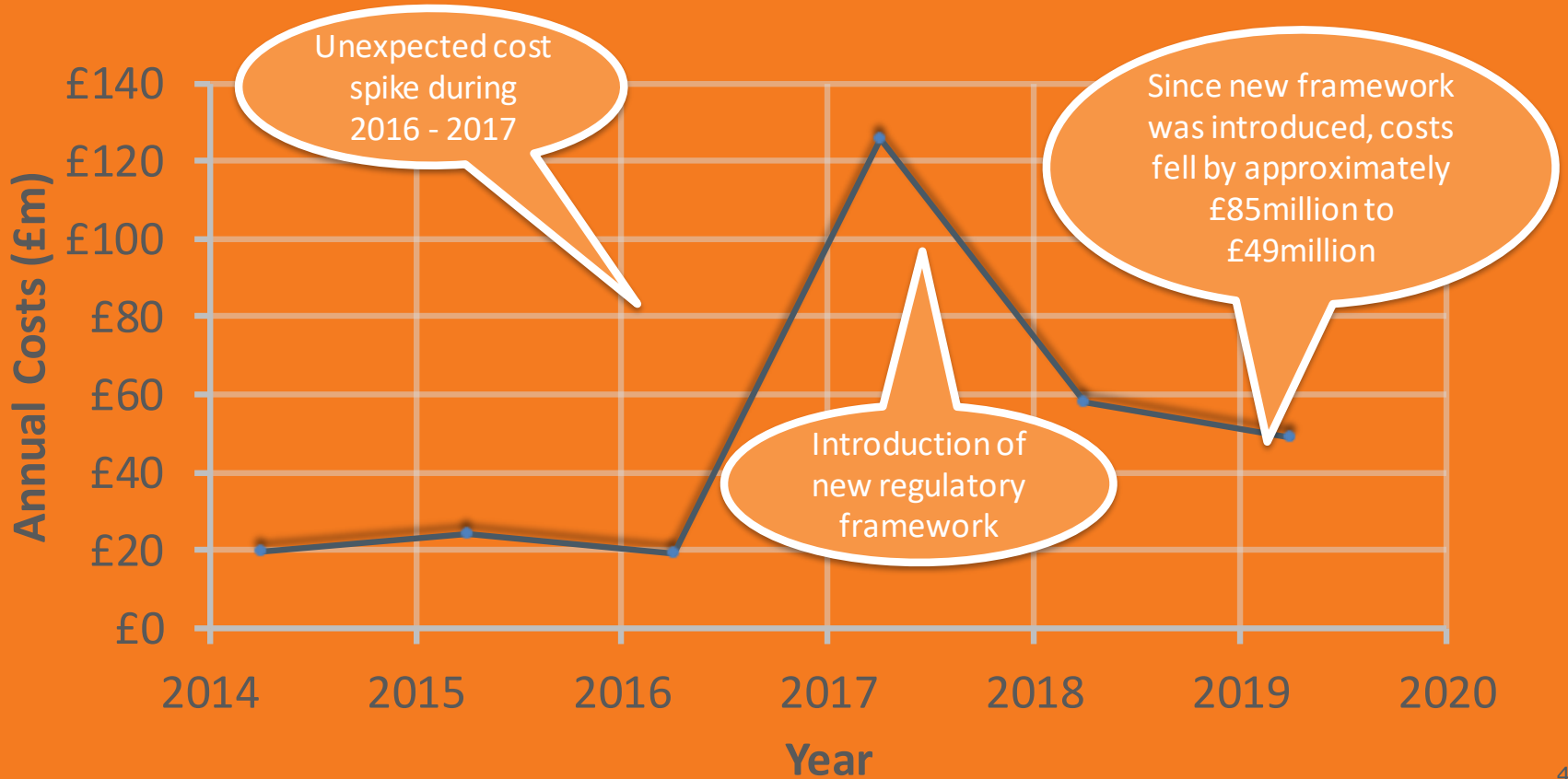
Procurement of this service can be seen as **an insurance policy for a low likelihood, high impact event**



Procurement of the **service is fundamental** to the efficient operation of the system and consumers expect industry to have sufficient preparation to manage this event

The service **needs a regulatory framework which reflects that importance** and it is vital that regulation supports the ESO and wider industry in ensuring the best outcome for GB.

Historical Costs



Since April 2017, Ofgem's regulated black start through an efficiency check approach. This approach has three stages to it:

ESO develops a black start strategy and Procurement Methodology

- Methodologies **updated annually**
- Strategy should provide an expectation of the Restoration Time, the restoration approach and the ESO's **short, medium and long term strategy**
- **Procurement methodology** shows how the ESO's procurement techniques ensure **value for money**.

ESO produces an annual report to Ofgem for approval

- The ESO's report should demonstrate how its black start costs were incurred in accordance with the approved methodologies.
- The ESO's report is also accompanied by a report from an independent auditor which **assesses the ESO's choices throughout the year against the methodologies**.

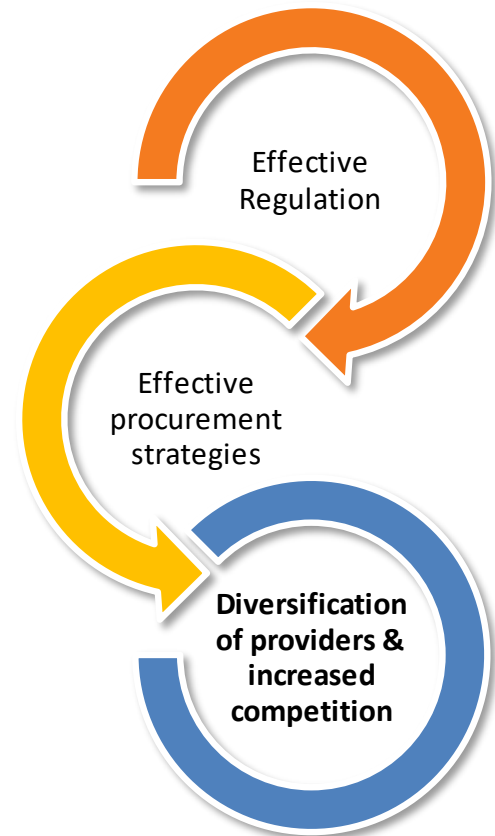
Ofgem decides if the ESO can recover all of its black start procurement costs through BSUoS

- Ofgem ensures that the ESO followed the methodologies and ensures that annual costs were incurred in accordance with approved methodologies.
- Ofgem can **disallow** costs that are not consistent with the methodologies **up to 10% of the total costs** if ESO didn't follow methodologies.

Regulation is only one piece in the puzzle, the ESO also needs to innovate...

What can this project offer?

- If the ESO is to continue to reduce black start costs while providing the level of service consumers expect, it will need to expand the supply of black start providers.
 - This project offers a great opportunity for the ESO to innovate and deliver benefits for consumers.
 - Very important that the project delivers outcomes which can broaden the supply of black start providers.
 - It could ensure that the ESO can comply with its current and future licence conditions



Our core purpose is to ensure that all consumers can get good value and service from the energy market. In support of this we favour market solutions where practical, incentive regulation for monopolies and an approach that seeks to enable innovation and beneficial change whilst protecting consumers.

We will ensure that Ofgem will operate as an efficient organisation, driven by skilled and empowered staff, that will act quickly, predictably and effectively in the consumer interest, based on independent and transparent insight into consumers' experiences and the operation of energy systems and markets.