

Black Start Competitive Procurement Exercise

Feedback Request

Executive summary

National Grid Electric System Operator (ESO) proposes to introduce a new market mechanism for the procurement of Black Start contracts, in the form of a tender process. The provisional details of the tender are outlined, including timescales, technical requirements, assessment criteria and contract terms. Industry colleagues are invited to review these details, and provide comments during a feedback period.

Background

ESO has an obligation to maintain the capability to restore the National Electricity Transmission System (NETS) from a full or partial black out. Our approach for meeting this obligation is outlined in our published Black Start Strategy and Procurement Methodology documents (available at nationalgrideso.com). As set out within these documents, we are proposing to trial a tender process in the South West and Midlands Black Start Zones to encourage new market entrants to participate and to promote competition.

Ultimately, it is our aim to create a tendered market for the provision of Black Start contracts across GB. This would ensure that there is a route to market for both existing and new providers, regardless of technology type, and would realise the benefits of competition in the procurement of these services.

Feedback Period

The feedback period on our proposal opens 6 Dec 2018. You are invited to review the appended documents, ahead of a webinar on 19 December 2018*. The webinar is your chance to participate and ask any questions on the proposals to our technical and commercial ESO colleagues. In addition, a feedback template is provided within the appendix, which we encourage you to complete and submit to us with any further comments. The deadline for this written feedback is 10 January 2019, to allow ESO to review feedback and implement any changes to the proposal.

Key Feedback Dates

6 December
Feedback period open
19 December (Rescheduled*)
Webinar with NGESO
10 January 2019
Written Feedback Deadline

What's inside?

- **Part 1** – What and Why – an introduction to the Black Start service, why we are evolving our procurement approach, and what we think this approach will look like.
- **Part 2** – Tender details – a series of documents that explain our approach to key parts of the tender, please review these thoroughly as your feedback is imperative to making sure we're clear in what our requirements are and how we will assess.
- **Part 3** – Your thoughts – please use the template provided to share your thoughts on the proposal and our approach

Part 1 – What and Why?

What is Black Start

Black Start is the procedure to recover from a Total Shutdown or Partial Shutdown of the national electricity transmission system (NETS). The Electricity System Operator must maintain capability to Black Start and restore the NETS, which we currently do through:

1. Service contracts with a number of providers who have the capability to:
 - a. start up independent of external supplies
 - b. energise part of the transmission network
 - c. block load local demand
2. Restoration plan agreed and tested by those key providers, local Distribution Network Operators (DNOs) and Transmission Operators (TOs).

More information on the process of restoring a network is available in our Product Roadmap for Restoration.

Why are we changing our procurement approach?

The generation mix is changing, and we need to evolve our Black Start strategy to ensure we have a restoration strategy which is fit for purpose, whilst being an economic, secure and efficient solution. We want to respond to our stakeholder's expectations to;

- drive transparency,
- develop competition,
- broaden participation,
- and to avoid bilaterally contracting where possible.

Our vision is that by the mid-2020s, we will be running a fully competitive Black Start procurement process, providing there is sufficient competition to enable a market-based solution. Industry feedback and collaboration is vital in achieving this vision and will underpin our reform of Black Start and balancing services.

Part 2 – Tender Details

A. Eligibility

Tenders may be submitted by any potential provider who meets the technical requirements and obligations within the standard contract, providing they register the intention to tender with an accepted Expression Of Interest (EOI).

Combined services are delivered by two parties who already have separate components of black start capability, which can be co-ordinated to deliver a full service. Often this means they can make a more competitive service offering as each party already has the capability for the element it is offering, for example, where one party has self-start capability, it can provide the start-up supplies for another party who is able to block load large MW volumes.

If a party cannot meet the technical requirements on their own, but may be able to combine with another party to do so, we will allow tenders where one 'lead' party contracts with ESO, and will have its own contractual arrangements with the secondary party/parties (though ESO will need to understand the contractual basis between the lead and secondary parties). This may also include interconnectors, where an agreement for provision of active power with the respective TSO will need to be in place ahead of tender submission deadline.

If a potential provider has a limitation on one of the technical requirements, (where this is dependent on network or DNO factors) but can meet the others, we will allow Expressions of Interest to be submitted, and where possible, ESO will assess whether a provider could contribute, we want to enable wider participation where possible, but it will be entirely at the discretion of ESO to confirm whether a provider not meeting all of the requirements will be eligible to participate.

B. Tender Timeline



C. Tender Process

4 February 2019 – Expressions of Interest (EOI) requested

An information pack will be released with final tender documentation, and the terms and conditions of the contract, to enable you to come to an informed decision about participation in the tender. ESO will request that anyone who would like to participate in the tender round registers an EOI. Submitting an EOI will be a mandatory prerequisite of participation in the tender. We expect that the request for EOIs will remain open for 4 weeks.

The EOI will require information to confirm the provider’s capability and eligibility to apply. If a provider submits an Expression of Interest that highlights a limitation on one of the technical requirements, network assessments may also be required.

The EOI will also ask whether a provider has recently delivered a Stage 1 or Stage 2 study to ESO, and whether that the report is still valid and there have been no changes to the plant, and ESO will confirm whether this will be sufficient for this tender. We aim not to re-run studies when a provider has already provided, or begun to provide these.

As part of the EOI process, providers will be expected to confirm their agreement to the standard contract terms and feasibility study terms, both of which are available to review during this feedback period. There will be an opportunity during the EOI period to notify ESO of any elements of the terms that the provider may wish to query. ESO is not obliged to accept any deviations proposed at this stage, but this will be the only opportunity to raise amendments for consideration.

1 March 2019 – Expression of Interest deadline

To allow ESO to determine the level of interest in the Black Start Tender, all EOIs must be submitted by midnight on 1 March. EOIs submitted after this date will not be considered.

1 April 2019 – Invitation to Tender

The formal invitation to tender will be released to all providers who have met the EOI submission deadline and accepted and met the minimum/mandatory criteria. At this stage, all other tender documentation will be available, and the feasibility process will commence (see process flow in Section B).

April - May 2019 – Stage One Feasibility Study (F1)

The first stage of the tender requires submission of the F1, along with a scope of works for the more detailed F2. The F1 should summarise the known information about the plant, and it’s capability or potential to provide a Black Start service. The full requirements for the F1 are detailed in the F1 outline document which is available to review during this feedback period.

If a provider has already delivered an approved F1 and had this confirmed in their EOI acceptance, they will not need to duplicate this work. They should resubmit the original study for completeness, but should also complete the F1 template with references to where in the original study the requirement was covered.

In parallel to the F1 report, a scope of work for the F2 (F2 Scope) should be produced. The F2 Scope will include details of the works required to prove the Black Start capability of the plant, along with details of associated costs. The full requirements for the F2 are detailed in the F2 outline document which is available to review during this feedback period.

National Grid will make a capped contribution of up to £150,000 to these studies (in line with historical spend) which will be contractualised with a side letter agreement. Providers are expected to minimise these costs to reduce the impact on the end consumer, and will only be reimbursed for costs once invoices and supporting evidence of costs incurred are received and validated by ESO. Costs will be reimbursable following closure of the F2 assessment period, and following satisfactory responses to all clarifications being issued by ESO during the assessment period.

July 2019 – F1 and F2 Scope Outcome

After reviewing the submissions, those providers who meet the agreed standard outlined in the assessment criteria, and receive budgetary approval will proceed to the next stage of the tender. This will be formalised with a side letter contractualising the terms of the agreement, and an instruction to proceed with the F2. The template side letter is available to review as part of this feedback exercise.

Aug 2019 - January 2020 – F2 Submission deadline

The F2 submission will form the primary part of the tender submission, and will be comprised of two separate parts. The F2 report itself should sufficiently prove that the provider's plant does have Black Start capability, or will have Black Start capability subject to proposed changes detailed in the report. As with the F1, if confirmed in their EOI acceptance that a previous study is satisfactory, there will be no need to duplicate this work.

This technical submission will be accompanied by a commercial submission, which will clearly detail and break down the associated costs and services fees.

The window for developing these two submission components will be six months, with the deadline currently proposed for end of Jan 2020. A template will be provided for both elements of the submission.

Feb 2020 –Apr 2020 – Assessment and Clarification Period

Following tender submission, all tenders will be reviewed, and technical clarifications specific to tendered information will be issued to individual providers. These clarifications will be documented as each submission is reviewed, but issued to all tenderers at the same time, to ensure no advantage is gained. All tenderers will be given the same amount of time to respond to clarifications on their tenders.

During this period, feedback will also be given on the commercial submissions, and tenderers will be given the opportunity to provide clarification and refine their submission. All tenderers will be given equal opportunity and time to do so.

24th Apr 2020 – Contract Awarded

Contract/s will be awarded, and decision will be communicated to tenderers. Post-award, we expect to publish elements of the outcome of the tender, potentially including MW volume, technology type and price, in line with security requirements, the owners of the awarded contracts will not be revealed.

1st May 2020 – Construction Phase

We have allowed 24 months for the construction of assets where this is required. Where a provider can deliver a service ahead of that without incurring excessive cost, we invite them to notify us within their submission, and where possible and economic, we may be able to agree an earlier target commencement date.

Q2 2022 – Service Commencement

Once construction has completed, the Black Start contract will commence following successful completion of a commissioning test.

D. Tender documentation

Appended to this document are a number of key tender documents explaining our proposed approach that we would value industry feedback on. Summarised below are descriptions of these documents and of their purpose in the tender.

Appendix 1 - Technical Requirements and Assessment Criteria

Detailed within are the minimum technical requirements that are necessary for a potential provider to be capable of providing a service, and to be eligible to participate in the tender. Alongside each requirement, we have explained why that aspect matters for delivering a Black Start service, and the reasons for the minimum/mandatory level. Where these requirements have been revised from our previously published requirements, our reasoning is also included.

Each potential Black Start provider will have a different contribution on a restoration, depending on their individual capabilities. The assessment criteria demonstrates how we will value each of these components of the service, to account for the varying levels of contribution to restoration timescales.

This document will also include the methodology we propose to use to assess the commercial aspects of the tender submissions, as well as the weightings that will be applied to the technical and commercial submission. The combined evaluation will compose the overall score for each provider, and should deliver the most valuable and economically advantageous solution.

Appendix 2 - Feasibility Study 1 and Feasibility Study 2 Outline

This guidance document explains the purpose and objectives of the F1 and F2 process, including details of what content should be included within the reports, and the capabilities that the provider must demonstrate. Submission templates for these will be provided with the EOI pack in February.

Appendix 3 – Feasibility Study Letter and Terms

ESO will make a capped contribution to F2 studies, there is a standard letter that we will use to contractualise this arrangement which is included here.

Appendix 4 - Contract Terms

The standard service terms for Black Start have been updated, we have tried to ensure that they are technology neutral, though some adaptations still need to be made, including the testing clauses. We expect further updates to be made to these terms ahead of EOI, but do not expect the content to materially change. The contract terms cover all aspects of the service and all obligations on the service provider. Please review these thoroughly as commercial tender submissions will be made on this basis.

Appendix 5 - Feedback Template

Once you have taken time to review the information, please use the feedback template to share your views and comments with us. Following feedback submission, we will publish the key themes, along with any resulting changes to the proposal.

Part 3 – Your Feedback

We need to respond to our stakeholder's expectations to be more transparent, to drive down costs and to enable competition through broadened participation. The planned competitive procurement event is a key step in achieving this. Following this trial, we expect to be able to expand the approach across other zones, and for it to evolve as other technologies become ready and capable.

To help us get the right solution, we would appreciate your feedback on the following areas.

- We have proposed a timeline based on our experience of the current contracting process, could you meet the proposed tender timeline? Is the tender process clear and understandable? Do you have any comments or suggestions regarding the process we have outlined?
- We have tried where possible to relax the technical requirements. Although in the future we may be able to revise these further, our ability to do this is limited at present by our need to maintain national black start provision. We have tried to reflect the value of these requirements in the assessment criteria. Do you have any comments on the technical requirements or assessment criteria? Do you understand how the tender (including commercial submission) will be assessed and scored to determine contract award? Do you have any comments or suggestions on the proposed method to assess the tenders?
- From the information provided in Appendix 2, will you be able to deliver the F1 and F2 reports? Are the requirements for these reports clear? Do you have any other comments or suggestions regarding the feasibility studies?
- Do you have any comments in relation to the F2 letter and terms?
- The service contract for Black Start forms 'clause 4' of a commercial services agreement. These terms cover all provider obligations whilst delivering a service, including testing, payment, security, and events of default (some of which include repayments, so please review them thoroughly. We have adapted our standard terms with the aim of making them technology neutral, we are still in the process of refining these, but do not anticipate material changes. Do the terms seem suitably neutral? Do you understand the obligations? Do you have any comments or suggestions on the terms?
- Any further comments or feedback regarding the tender process outlined in this feedback pack?

To share your feedback with us, please use the template in [Appendix 5](#), and email to commercial.operation@nationalgrid.com