



Department for
Business, Energy
& Industrial Strategy

Rt Hon Grant Shapps MP
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Fintan Slye
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National Grid ESO
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20 January 2023

Dear Fintan,

Update to the Capacity Market Auction Parameters 2023

Thank you for the recommended adjustments to the Demand Curve for the forthcoming one-year ahead (T-1) and four-year ahead (T-4) Capacity Market auctions, delivered by National Grid Electricity System Operator (NG:ESO) in its capacity as the Capacity Market Delivery Body on 9 January 2023.

I am writing to you to confirm the final auction parameters for those two auctions.

T-1 target

I have accepted your recommendation to set an auction target of 5.8 GW for the T-1 auction for delivery in 2023/24.

T-4 target

I have accepted your recommendation to increase the T-4 auction target by 1GW to account for technical considerations. This takes the capacity target for the 2026/27 delivery year to 44.9GW.

Consequently, I have decided to set the T-4 auction target at 43.9GW and to set-aside 1GW for the future T-1 auction.

I have set the final auction parameters for the forthcoming Capacity Market auctions as detailed below in Table 1.

Interconnector de-rating factors

As you are aware, the Greenlink interconnector successfully pre-qualified for the T-4 auction. I can now set a de-rating factor in accordance with the Capacity Market Rules, taking into consideration the technical analysis in NG:ESO's 2022 Electricity Capacity Report and advice from the Panel of Technical Experts and confirm it as 54% as detailed in Table 2.

Yours sincerely,

RT HON GRANT SHAPPS MP
Secretary of State for Business, Energy & Industrial Strategy

Table 1: Final auction parameters

Parameter	T-1 auction for delivery in 2023/24	T-4 auction for delivery in 2026/27
Target capacity	5.8GW	43.9GW
Demand curve: Minimum capacity at price cap	5.8GW	42.4GW
Demand curve: Maximum capacity at £0	6.87GW	45.4GW
Reliability standard	3 hours LOLE	3 hours LOLE
Net CONE	£49/kW/yr	£49/kW/yr
Price Cap	£75/kW/yr	£75/kW/yr
Price taker threshold	£25/kW/yr	£25/kW/yr
15-year agreement threshold	N/A	£295/kW
3-year agreement threshold	N/A	£150/kW
Indexation	N/A	2021/22

Table 2: Interconnector de-rating factor for Greenlink

Interconnector	Connection Capacity (GW)	T-4 auction for delivery in 2026/27	
		NG:ESO range (%)	De-rating factor (%)
Greenlink (Republic of Ireland)	0.5	14 – 94	54