



Department for
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Rt Hon Greg Clark MP

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Our ref:

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Jim Cordi O'Hara

Security of Electricity Supply: Confirmation of Capacity Auction Parameters

Thank you for your Electricity Capacity Report 2017 (ECR) delivered on 1st June and for the thorough and helpful analysis that your team has undertaken, which has served to underpin my final decisions. I have also benefitted from advice from my own Panel of Technical Experts (PTE); and in accordance with regulation 12(5) of the Electricity Capacity Regulations 2014, I have also had regard to the reliability standard and the matters set out in section 5(2) of the Energy Act 2013. In light of all this, I am writing to confirm the parameters for the next T-4 auction planned for February 2018, and the T-1 auction planned for January 2018.

T-4 auction

In Table 1 below, I set out the parameters for the T-4 auction for delivery in 2021/22, incorporating a total target volume of 50,500MW of which I am setting aside 400MW leaving 50,100MW to be auctioned in the T-4. This approach is consistent with the ECR analysis.

T-1 auction

Table 1 also sets out the parameters for the T-1 auction for delivery in 2018/19, for which I have decided to target a total volume of 6,000MW. This is consistent with PTE advice, which suggested a small 300MW reduction on the recommendation in the ECR analysis.

Interconnection

Table 2 sets out the de-rating factors for interconnectors which I have determined for the T-4 auction. The ECR makes no formal recommendation in this area, but provides some technical analysis which I have reviewed alongside specific advice from PTE. My decisions are in line with this advice.



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I note that, for all three auctions confirmed above, the parameters may be refined and amended following the prequalification and related appeals processes.

Yours sincerely
GC

THE RT HON GREG CLARK MP
Secretary of State for Business, Energy & Industrial Strategy



Full details of auction parameters and interconnector de-rating factors:

Table 1: Auction parameters

	T-1 auction	T-4 auction
Target Capacity	6.0GW	50.1GW
Demand curve: Maximum capacity at price cap	5.0GW	48.6GW
Demand curve: Minimum capacity at £0	7.0GW	51.6GW
Reliability Standard	3 hours/year	3 hours/year
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	NA	£260/kW
3-year agreement threshold	NA	£130/kW
Indexation	NA	2016/17 ²

Table 2: Interconnector de-rating factors

Interconnectors	De-rating factor (%)
IFA (France)	63
IFA2 (France)	65
Eleclink (France)	69
BritNED (Netherlands)	76
Moyle (Northern Ireland)	14
EWIC (Republic of Ireland)	59
NEMO (Belgium)	75
NSL (Norway)	85

² Base Period for Indexation: October 2016 to April 2017 inclusive.

