



**Department for
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Duncan Burt (Director of Operations, National Grid ESO)
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Dear Duncan,

Thank you for your report of 29 November on your recommended adjustments to the demand curve for the forthcoming year ahead (T-1), three year ahead (T-3), and four year ahead (T-4) Capacity Market auctions. I am writing to you to confirm adjustments to the auction parameters for those auctions. I have accepted your recommendation for the T-4 auction on the basis that NG:ESO will provide further recommendations on the parameters for the T-4 auction in February following the completion of the T-3 auction.

Parameter	T-1 Auction for delivery in 2020/21	T-3 Auction for delivery in 2022/23	T-4 Auction for delivery in 2023/24
Target capacity	0.3GW	44GW	43.3GW
Demand curve: minimum capacity at price cap	0GW	43GW	42.3GW
Demand curve: maximum capacity at £0	0.3GW	45GW	44.3GW
Reliability Standard	3 hours LOLE	3 hours LOLE	3 hours LOLE
Net CONE	£49/kW/yr	£49/kW/yr	£49/kW/yr
Price Cap	£75/kW/yr	£75/kW/yr	£75/kW/yr
Price Taker Threshold	£25/kW/yr	£25/kW/yr	£25/kW/yr
15-year agreement threshold	NA	£270/kW	£275/kW
3-year agreement threshold	NA	£135/kW	£135/kW
Indexation	NA	2017/18	2018/19

Yours sincerely,

THE RT HON ANDREA LEADSOM MP
Secretary of State for Business, Energy & Industrial Strategy