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Dear Fintan,

### **Capacity Market Auction Parameters 2020**

Thank you for your Electricity Capacity Report 2020 (ECR) delivered by NG:ESO in its capacity as the Capacity Market Delivery Body on 29 May and for the robust analysis that your team has helpfully undertaken to prepare the report. I have also reviewed the advice from my Panel of Technical Experts (PTE) and, in accordance with regulation 12(5) of the Electricity Capacity Regulations 2014, have taken into account the Reliability Standard and the matters set out in section 5(2) of the Energy Act 2013.

Taking all of this into account, I am writing to confirm the parameters for the next Capacity Market T-1 auction planned for January 2021 and the T-4 auction planned for February 2021.

### **Target specifics**

My target recommendations have taken into account the fact that the ECR analysis does not consider the potential impacts of COVID-19 due to timelines of the unfolding pandemic and lack of availability of robust evidence at the time the demand and supply assumptions were being informed.

### **T-4 Auction**

In Table 1 below, I set out the parameters for the T-4 auction for the 2024/25 delivery year. These include a total target capacity of 41.6GW for that delivery year of which I am setting aside 0.4GW for the T-1 auction, leaving a target capacity of 41.2GW to be auctioned in the T-4 auction.

This decision is consistent with the ECR recommendation, and the PTE accepted the analysis leading to the procurement recommendation of 41.6 GW. However, as NG:ESO noted in the ECR, the recommendations made do not take account of any potential impacts from the COVID-19 pandemic. I welcome - as has the PTE -

NG:ESO's commitment in the ECR to review the demand and supply assumptions in light of the pandemic. This will inform any recommendations for potential adjustments in autumn to the demand curve and Secretary of State considerations for parameters adjustment. I have concluded the target capacity recommended in the ECR remains an appropriate target for this auction based on the information available to me at this time. In recognition of the uncertainty around COVID-19 impacts, I would like the engagement between NG:ESO, BEIS and the PTE to continue over the coming months to inform future parameters decisions.

### **T-1 Auction**

Table 1 also sets out the parameters for the T-1 auction for the 2021/22 delivery year. I have decided to set a target capacity of 0.4GW.

While this is not consistent with the ECR recommendation of 0GW, I believe a target capacity of 0.4W is justified because of: the uncertainty and potential risks from the ongoing COVID-19 pandemic; recent prolonged plant outages; and compliance with our long-standing commitment to set a target capacity for T-1 auctions, which is at least half the capacity that was set-aside when determining the target capacity for the T-4 auction for the same delivery year. On this final point, I note that the Government has formalised this set-aside in legislation in the Electricity Capacity (Amendment etc.) (Coronavirus) Regulations. NG ESO's revision to the assumptions will inform considerations for parameters adjustments.

### **Interconnection**

Table 2 sets out the de-rating factors for interconnectors that I have determined for the T-4 auction for the 2024/25 delivery year and T-1 auction for the 2021/22 delivery year in accordance with the Capacity Market Rules, taking into consideration the technical analysis in the ECR and advice from the PTE.

I note that, for the auctions confirmed above, the parameters may be adjusted following the auction prequalification and any related appeals processes.

Yours sincerely,



**RT HON KWASI KWARTENG MP**  
Minister of State for Business, Energy and Clean Growth