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18 July 2019

Dear Duncan

### **Parameters for Capacity Market T-3 auction for 2022/23 and Greenlink interconnector**

Thank you for your letter of 18 July 2019, with your parameter recommendations for 2022/23. Considering this, I am writing to confirm the parameters for the Capacity Market T-3 auction for 2022/23, planned for January 2020. My decision is in line with the minded to position I set out in my letter of 9 July 2019, as set out in Table 1 and 2 below.

I have also decided to set the de-rating factor for the Greenlink interconnector for the 2023/24 T-4 auction at 42%.

I note that the parameters may be refined and amended following the auction prequalification and related appeals processes.

Yours sincerely,

**CHRIS SKIDMORE MP**

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

<b>Table 1: Auction parameters</b>	
	<b>T-3 Auction for delivery in 2022/23</b>
Target capacity	44.2GW
Demand curve: minimum capacity at price cap	43.2GW
Demand curve: maximum capacity at £0	45.2GW
Reliability Standard	3 hours LOLE
Net CONE	£49/kW/yr
Price Cap	£75/kW/yr
Price Taker Threshold	£25/kW/yr
15-year agreement threshold	£270/kW <sup>1</sup>
3-year agreement threshold	£135/kW <sup>1</sup>
Indexation	2017/18

<b>Table 2: T-3 Interconnector de-rating factors<sup>2</sup></b>		
<b>Interconnector</b>	<b>Capacity (GW)</b>	<b>T-3 DRF (%)</b>
IFA (France)	2	69
IFA2 (France)	1	71
ElecLink (France)	1	75
BritNed (Netherlands)	1.2	50
Moyle (Northern Ireland)	0.5	56
EWIC (Republic of Ireland)	0.5	56
NemoLink (Belgium)	1	58
NSL (Norway)	1.4	88

<b>Table 3: T-4 Interconnector de-rating factors<sup>3</sup></b>		
<b>Interconnector</b>	<b>Capacity (GW)</b>	<b>T-3 DRF (%)</b>
Greenlink (Republic of Ireland)	0.5	42

<sup>1</sup> Adjusted from the previous T-4 (for the 2021/22 delivery year) for inflation indexed to the 2017/18 inflation level and rounded to nearest £5.

<sup>2</sup> The NG:ESO ranges have been adjusted to account for the physical characteristics of each interconnector and then rounded.

<sup>3</sup> The NG:ESO ranges have been adjusted to account for the physical characteristics of each interconnector and then rounded.