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18 July 2019

Dear Duncan

### **Determination to hold a T-3 auction for 2022/23**

In my letter to you on 9 June I stated that I was minded to hold a T-3 auction for delivery year 2022/23 in the auction window beginning 1 September 2019, subject to the passage of the Electricity Capacity (No. 2) Regulations 2019 through Parliament. I subsequently wrote to you on 9 July, setting out my minded to position on the parameters for such a T-3 auction.

The relevant Regulations are now in force, and I am therefore writing to you formally to confirm my decision to hold a T-3 auction for delivery year 2022/23.

I am also directing you (National Grid ESO) to cancel the postponed T-4 auction for delivery year 2022/23 because I have decided to replace this auction with a T-3 auction for the same delivery year. I am not satisfied the postponed T-4 auction, which must be held by 31st July 2019, can be scheduled for a time where it would be consistent with State aid law to award of capacity agreements to successful bidders. I am, however, satisfied the T-3 auction, and other upcoming auctions, will be scheduled for a time when the Capacity Market is expected to have State aid approval, and that these auctions will not proceed to the awarding of capacity agreements unless and until the Capacity Market has State aid approval.

The auction parameters for this auction will be set out in a letter to follow.

Yours sincerely,

**CHRIS SKIDMORE MP**