



Department for  
Energy Security  
& Net Zero

Rt Hon Grant Shapps MP  
Secretary of State  
Department for Energy Security  
& Net Zero  
1 Victoria Street  
London  
SW1H 0ET

[www.gov.uk](http://www.gov.uk)

Fintan Slye  
Director of the System Operator at National Grid  
National Grid ESO  
Faraday House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

14th July 2023

Dear Fintan,

### **Security of Electricity Supply: Capacity Market Auction Parameters 2023**

Thank you for your Electricity Capacity Report 2023 (ECR) delivered by National Grid Electricity System Operator (NG:ESO) in its capacity as the Capacity Market Delivery Body on 31 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 auctions – the T-1 and T-4 auctions planned for February 2024.

#### **Target specifics**

In my decision I have considered the recommendations of the PTE that a detailed re-consideration of the base case and non-delivery risks should occur as part of the demand curve adjustment ahead of the auctions. I welcome NG:ESO's willingness to engage with the PTE and my Officials on this ahead of the NG:ESO providing their updated auction target recommendations before the auctions.

#### **T-4 Auction**

In Table 1 below, I set out the parameters for the T-4 auction for the 2027/28 delivery year. These include a total target capacity of 44.5 GW for that delivery year, of which I am setting aside 1.5 GW for the associated T-1 auction, leaving a target capacity of 43.0 GW to be procured through the T-4 auction itself.

#### **T-1 Auction**

Table 1 also sets out the parameters for the T-1 auction for 2024/25 delivery year. I have decided to set a target capacity of 7.4 GW.

#### **Interconnection**

Table 2 sets out the de-rating factors for interconnectors that I have determined for the T-4 auction for the 2027/28 delivery year in accordance with the Capacity Market

Rules, taking into consideration the technical analysis in the 2023 ECR and advice from the PTE.

I note that for the auctions confirmed above, the parameters may be adjusted during the adjustment of the demand curve, taking into account results from auction prequalification and related appeals processes.

Your sincerely,

A handwritten signature in blue ink, reading "Grant Shapps". The signature is written in a cursive style with a large initial 'G' and 'S'.

**RT HON GRANT SHAPPS MP**  
Secretary of State for Energy Security & Net Zero