



Department for
Business, Energy
& Industrial Strategy

The Rt Hon Greg Hands MP
Minister of State for Energy, Clean Growth
and Climate Change

**Department for Business, Energy &
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15 July 2022

Dear Fintan,

Security of Electricity Supply: Capacity Market Auction Parameters 2022

Thank you for your Electricity Capacity Report 2022 (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 round of Capacity Market auctions – the T-1 and T-4 auctions planned for February 2023.

Target specifics

In my decision I have considered the recommendations of the PTE that a detailed reconsideration 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 these recommendations 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 2026/27 delivery year. These include a total target capacity of 43.9GW for that delivery year, of which I am setting aside 1.5GW for the associated T-1 auction, leaving a target capacity of 42.4GW 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 2023/24 delivery year. In line with the 2022 ECR recommendations, I have decided to set a target capacity of 5.8GW.

Interconnection

Table 2 sets out the de-rating factors for interconnectors that I have determined for the T-4 auction for the 2026/27 delivery year in accordance with the Capacity Market Rules, taking into consideration the technical analysis in the 2022 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.

Yours ever,

A handwritten signature in blue ink, appearing to read 'G Hands', with a long horizontal flourish extending to the right.

THE RT HON GREG HANDS MP
Minister of State for Energy, Clean Growth and Climate Change