



Fintan Slye
Director of the System Operator at National Grid
National Grid ESO
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18 July 2024

Dear Fintan,

Security of Electricity Supply: Capacity Market Auction Parameters 2024

Thank you for your Electricity Capacity Report 2024 (ECR) delivered by Electricity System Operator (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 the DESNZ independent 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 March 2025.

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 ESO's willingness to engage with the PTE and my Officials on this ahead of the 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 2028/29 delivery year. These include a total target capacity of 45.0 GW for that delivery year, of which I am setting aside 1.0 GW for the associated T-1 auction, leaving a target capacity of 44.0 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 2025/26 delivery year. I have decided to set a target capacity of 6.5 GW, a small decrease on your recommended target of 6.8 GW.

While I agree with the analysis you provided in fulfilment of your remit under the Electricity Capacity Regulations 2014, I have considered the views of the PTE who

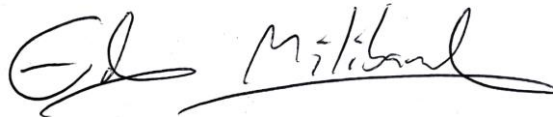
have recommended a target 0.3 GW below the ECR T-1 auction target recommendation. The proposed PTE recommendation accounts for the risk that the auction target may reflect an overly cautious approach for 2025/26. I have concluded that the target capacity adjustment recommended by the PTE is prudent but note that, in recognition of the divergence between the ECR and PTE recommendations, I would like continued engagement between the ESO and PTE over the coming months to inform future parameters decisions.

Interconnection

Table 2 sets out the de-rating factors for interconnectors that I have determined for the T-1 auction for the 2025/26 delivery year and the T-4 auction for the 2028/29 delivery year in accordance with the Capacity Market Rules, taking into consideration the technical analysis in the 2024 ECR and advice from the PTE.

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

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ed Miliband', with a long horizontal flourish extending to the right.

RT HON ED MILIBAND MP
Secretary of State for Energy Security & Net Zero