



Department for Energy Security & Net Zero

Rt Hon Ed Miliband MP
Secretary of State

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National Energy System Operator
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8 July 2025

Dear Fintan,

Security of Electricity Supply: Capacity Market Auction Parameters 2025

Thank you for your Electricity Capacity Report 2025 (ECR) delivered by the National Energy System Operator (NESO) in its capacity as the Capacity Market Delivery Body on 30 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 to take place in March 2026.

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 NESO's willingness to engage with the PTE and my Officials on this ahead of NESO 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 2029/30 Delivery Year. These include a total target capacity of 40.1 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 39.1 GW to be procured through the T-4 auction itself.

T-1 Auction

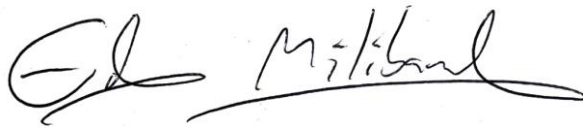
Table 1 also sets out the parameters for the T-1 auction for 2026/27 Delivery Year. In line with the 2025 ECR recommendations, I have decided to set a target capacity of 5.8 GW.

Interconnection

Table 2 sets out the de-rating factors for interconnectors that I have determined for the T-4 auction for the 2029/30 Delivery Year in accordance with the Capacity Market Rules, taking into consideration the technical analysis in the 2025 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 ever,

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