



Department for Energy Security & Net Zero

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Fintan Slye
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Security of Electricity Supply: Capacity Market Auction Parameters 2026

Dear Fintan,

Thank you for your Electricity Capacity Report 2026 (ECR) delivered by the National Energy System Operator (NESO) in its capacity as the Capacity Market Delivery Body on 29 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 2027.

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 target recommendations before the auctions.

T-1 Auction

Table 1 also sets out the parameters for the T-1 auction for 2027/28 Delivery Year. In line with the 2026 ECR recommendations, I have decided to set a target capacity of 5.0 GW.

T-4 Auction

In Table 1 below, I set out the parameters for the T-4 auction for the 2030/31 Delivery Year. In line with the 2026 ECR recommendations, these include a total target capacity of 41.4 GW for that Delivery Year, of which I am setting aside 0.5 GW for the associated T-1 auction, leaving a target capacity of 40.9 GW to be procured through the T-4 auction itself.

Interconnection

Table 2 sets out the de-rating factors for interconnectors that I have determined for the T-4 auction for the 2030/31 Delivery Year in accordance with the Capacity Market Rules, taking into consideration the analysis in the 2026 ECR and advice from the PTE. These take into account updated DESNZ technical de-rating factors, in line with the position set out in the Government Response published in May on intentions to implement a revised methodology.

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.

Best wishes,

A handwritten signature in black ink, appearing to read 'Michael Shanks', followed by a period. The signature is fluid and cursive.

MICHAEL SHANKS MP
Minister of State for Energy