



Department for
Business, Energy
& Industrial Strategy

Rt Hon Kwasi Kwarteng MP
Secretary of State
Department for Business,
Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

Fintan Slye
Director, UK System Operator
National Grid ESO
St Catherines Lodge
Bearwood Road
Sindlesham RG41 5BN

T
E
W

21 January 2022

Dear Fintan,

Update to the Capacity Market Auction Parameters 2022

Thank you for the recommended adjustments to the Demand Curve for the forthcoming one-year ahead (T-1) and four-year ahead (T-4) Capacity Market auctions delivered by National Grid Electricity System Operator (NG:ESO) in its capacity as the Capacity Market Delivery Body on 7 January 2022.

I am writing to you to confirm the final auction parameters for those two auctions.

T-1 target

I have decided to set a target volume of 5.361GW for the T-1 auction for delivery in 2022/23, an increase on your recommended target of 4.7GW.

While I agree with the analysis you provided in fulfilment of your remit under the Capacity Market Regulations, this target reflects the broader uncertainties within the power sector.

T-4 target

I have accepted your recommendation to decrease the T-4 auction target by 0.5GW to account for small technical considerations. This takes the capacity target for the 2025/26 delivery year to 43.6GW. Consequently, I have decided to set the T-4 auction target at 42.1GW and to set-aside 1.5GW for the future T-1 auction.

I have set the final auction parameters for the forthcoming CM auctions as detailed below in Table 1.

Yours ever,

RT HON KWASI KWARTENG MP
Secretary of State for Business, Energy & Industrial Strategy

Table 1 Final auction parameters

Parameter	T-1 auction for delivery in 2022/23	T-4 auction for delivery in 2025/26
Target capacity	5.361GW	42.1GW
Demand curve: Minimum capacity at price cap	5.361GW	40.6GW
Demand curve: Maximum capacity at £0	5.361GW	43.6GW
Reliability standard	3 hours LOLE	3 hours LOLE
Net CONE	£49/kW/yr	£49/kW/yr
Price Cap	£75/kW/yr	£75/kW/yr
Price taker threshold	£25/kW/yr	£25/kW/yr
15-year agreement threshold	N/A	£280/kW
3-year agreement threshold	N/A	£140/kW
Indexation	N/A	2020/21