

Fintan Slye Director, UK System Operator National Grid ESO St Catherines Lodge Bearwood Road Sindlesham RG41 5BN Rt Hon Kwasi Kwarteng MP Secretary of State Department for Business, Energy & Industrial Strategy 1 Victoria Street London SW1H 0ET



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

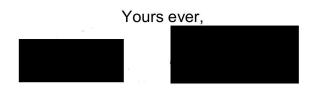
I have decided to set a target volume of 5.361GW for the T-1 auction for delivery in 2022/23, an increase on your recommended target of 4.7GW.

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.



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