

# Adjustment to Demand Curve - Report to Secretary of State

T-1 Capacity Market auction for delivery in 2024/25

T-4 Capacity Market auction for delivery in 2027/28

12 January 2024



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## Executive Summary

In light of the Prequalification Results and new or updated information, National Grid Electricity System Operator (ESO), as EMR Delivery Body, recommends that the Demand Curve for the T-1 & T-4 auctions are adjusted per Table 1.

Sections 3 and 4 provide further detail on the recommended adjustments for each auction. We do not recommend an adjustment for changes to the peak demand forecast in the delivery years.

Table 1: Summary of recommended adjustments and updated target capacity

Description	Recommended capacity to secure adjustment (MW)	
	T-1 Auction for delivery in 2024/25	T-4 Auction for delivery in 2027/28
A. Expected non-delivery	+500	0
B. Terminations and past longstop date	+200	+500
C. Long-term STOR	-400	0
Total adjustment to target capacity (MW) rounded to nearest 100MW	+300	+500
<b>Recommended target capacity (MW)</b>	<b>7,700</b>	<b>45,000</b>

*\*This recommended target is prior to any capacity set aside for the T-1 auction for delivery in 2027/28. If the capacity set aside remains at 1,500 MW as set in July 2023, then the revised T-4 target would be 43,500 MW.*

## 1. Background

The Electricity Capacity Regulations 2014 (“the Regulations”) and the Capacity Market Rules 2014 (“the Rules”), both as amended, oblige National Grid Electricity System Operator Limited in its role as Delivery Body to publish Auction Guidelines. This document has been prepared to discharge that obligation.

Capitalised terms used in this report shall have the meanings given in the Rules and references to a Rule are to a rule within the Rules.

In accordance with the specific requirements in the Regulations and the Rules, this document sets out:

- The aggregate de-rated capacity of Capacity Market Units (CMUs) which have prequalified to bid in the Capacity Auction (“**Prequalified**”)
- The aggregate de-rated capacity of CMUs of which applications were rejected (“**Rejected**”)
- The aggregate de-rated capacity of Generating CMUs of which the Delivery Body received an Opt-out Notification stating that the CMU will be closed down, decommissioned or otherwise non-operational by the commencement of the delivery year (“**Opt-Out: Not Operational**”)
- The aggregate de-rated capacity of Generating CMUs of which the Delivery Body received an Opt-out Notification stating that the CMU will be temporarily non-operational for all the winter of the delivery year but will be operational thereafter (“**Opt-Out: Temporarily Non-Operational**”)
- The aggregate de-rated capacity of Generating CMUs of which the Delivery Body received an Opt-out Notification stating that the CMU will remain operational during the delivery year (“**Opt-Out: Operational**”)
- Whether an adjustment is required to the Demand Curve in light of Prequalification Results
- A recommendation as to the adjustment to the Demand Curve.

## 2. Prequalification Results

Table 2 sets out Prequalification Results and Opt-Out information.

Table 2: Prequalification Results and Opt-Out information as of 10 January 2024

Description	Aggregated de-rated capacity (MW) of CMUs	
	T-1 auction for delivery in 2024/25	T-4 auction for delivery in 2027/28
<b>Prequalified</b>	9,762	43,707
<b>Conditionally Prequalified</b>	82	1,729
<b>Not Prequalified</b>	131	1,387
<b>Rejected</b>	268	534
<b>Opt-Out: Not Operational</b>	0	2,092
<b>Opt-Out: Temporarily Non-Operational</b>	99	0
<b>Opt-Out: Operational</b>	0	4,908

### 3. Update to the Demand Curve – T-1 CM auction for delivery in 2024/25

#### A. Expected non-delivery

Based on a review of recent non-delivery trends, we have observed new market behaviour that we believe may not be captured within the historical five-year average non-delivery that was an input to the T-1 target capacity for delivery in 2024/25, published in our 2023 ECR. We therefore recommend an increase of 500 MW to the target capacity.

#### B. Changes to known non-delivery and CMUs past longstop date

Based on updated CM register information since our 2023 ECR, CMUs with around 150 MW of de-rated capacity have terminated their agreements since the ECR production period for this delivery year. Additionally, CMUs with around 80 MW of de-rated capacity have not yet met their minimum completion requirement and have passed their longstop date. Therefore, we recommend an increase of 200 MW to the target capacity (rounded to the nearest 100 MW).

#### C. Embedded Capacity with Long-Term STOR agreements

Units with around 400 MW of capacity hold long-term STOR contracts that run until April 2025 and appear to have opted out of the capacity auction. We therefore recommend that the demand curve target should be reduced by 400 MW to account for units with long-term STOR contracts that are expected to be operational in the delivery year.

#### New-build CMUs commissioning early that have not prequalified

The de-rated capacity of CMUs with new build CM agreements that have commissioned early and are expected to be operational for 2023/24, but haven't prequalified for the T-1 auction, is close to 0 MW. As such we recommend no change to the demand curve target for this.

#### Other categories for which no change to the demand curve is recommended

There are no material changes to the following since the 2023 ECR was published and therefore we recommend no change to the demand curve associated with these areas:

- Assumed distributed generation non-delivery
- Existing de-rated autogeneration capacity assumed to be outside of the CM
- Renewable capacity assumed to be outside of the CM
- Previously contracted storage capacity
- Discrepancy between CMU de-rated capacity and Transmission Entry Capacity (TEC)
- CMUs with opt-out operational status (we have assumed 0 MW of this available for the delivery year).

## 4. Update to the Demand Curve – T-4 CM auction for delivery in 2027/28

### A. Expected non-delivery

No additional expected non-delivery is assumed relative to future unknown non-delivery already assumed in our 2023 ECR.

### B. Changes to known non-delivery and CMUs past longstop date

Based on updated CM register information since our 2023 ECR, CMUs with around 400 MW of de-rated capacity have terminated their agreements since the ECR production period for this delivery year. Additionally, CMUs with around 80 MW of de-rated capacity have not yet met their minimum completion requirement and have passed their longstop date. Therefore, we recommend an increase of 500 MW to the target capacity (rounded to the nearest 100 MW).

### C. Embedded Capacity with Long-Term STOR agreements

We note that long-term STOR contracts currently in place are due to end prior to the 2027/28 delivery year and we do not recommend any adjustment relating to this capacity.

### Other categories for which no change to the demand curve is recommended

There are no material changes to the following since the 2023 ECR was published and therefore we recommend no change to the demand curve associated with these areas:

- Assumed distributed generation non-delivery
- Existing de-rated autogeneration capacity assumed to be outside of the CM
- Renewable capacity assumed to be outside of the CM
- Previously contracted storage capacity
- Discrepancy between CMU de-rated capacity and Transmission Entry Capacity (TEC)
- CMUs with opt-out operational status: we have assumed these units will either be unavailable for the delivery year or will opt into the T-1 auction (and could be included in the capacity held back for this auction).