



Department for  
Business, Energy  
& Industrial Strategy

Rt Hon Greg Clark MP

Department for Business, Energy &  
Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

Cordi O'Hara (Director, UK System Operator)  
National Grid  
National Grid House  
Warwick Technology Park  
Gallows Hill, Warwick  
CV34 6DA

T +44 (0) 20 7215 5000  
E [enquiries@bis.gov.uk](mailto:enquiries@bis.gov.uk)  
W [www.gov.uk](http://www.gov.uk)

Our ref:

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*Jim Cordi O'Hara*

### **Security of Electricity Supply: Confirmation of Capacity Auction Parameters**

Thank you for your Electricity Capacity Report 2017 (ECR) delivered on 1<sup>st</sup> June and for the thorough and helpful analysis that your team has undertaken, which has served to underpin my final decisions. I have also benefitted from advice from my own Panel of Technical Experts (PTE); and in accordance with regulation 12(5) of the Electricity Capacity Regulations 2014, I have also had regard to the reliability standard and the matters set out in section 5(2) of the Energy Act 2013. In light of all this, I am writing to confirm the parameters for the next T-4 auction planned for February 2018, and the T-1 auction planned for January 2018.

#### **T-4 auction**

In Table 1 below, I set out the parameters for the T-4 auction for delivery in 2021/22, incorporating a total target volume of 50,500MW of which I am setting aside 400MW leaving 50,100MW to be auctioned in the T-4. This approach is consistent with the ECR analysis.

#### **T-1 auction**

Table 1 also sets out the parameters for the T-1 auction for delivery in 2018/19, for which I have decided to target a total volume of 6,000MW. This is consistent with PTE advice, which suggested a small 300MW reduction on the recommendation in the ECR analysis.

#### **Interconnection**

Table 2 sets out the de-rating factors for interconnectors which I have determined for the T-4 auction. The ECR makes no formal recommendation in this area, but provides some technical analysis which I have reviewed alongside specific advice from PTE. My decisions are in line with this advice.



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I note that, for all three auctions confirmed above, the parameters may be refined and amended following the prequalification and related appeals processes.

*Yours sincerely*  
*GC*

**THE RT HON GREG CLARK MP**  
Secretary of State for Business, Energy & Industrial Strategy



**Full details of auction parameters and interconnector de-rating factors:**

**Table 1: Auction parameters**

	<b>T-1 auction</b>	<b>T-4 auction</b>
Target Capacity	6.0GW	50.1GW
Demand curve: Maximum capacity at price cap	5.0GW	48.6GW
Demand curve: Minimum capacity at £0	7.0GW	51.6GW
Reliability Standard	3 hours/year	3 hours/year
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	NA	£260/kW
3-year agreement threshold	NA	£130/kW
Indexation	NA	2016/17 <sup>2</sup>

**Table 2: Interconnector de-rating factors**

<b>Interconnectors</b>	<b>De-rating factor (%)</b>
<b>IFA</b> (France)	63
<b>IFA2</b> (France)	65
<b>Eleclink</b> (France)	69
<b>BritNED</b> (Netherlands)	76
<b>Moyle</b> (Northern Ireland)	14
<b>EWIC</b> (Republic of Ireland)	59
<b>NEMO</b> (Belgium)	75
<b>NSL</b> (Norway)	85

<sup>2</sup> Base Period for Indexation: October 2016 to April 2017 inclusive.

