
STATUTORY INSTRUMENTS

2014 No. 2043

The Electricity Capacity Regulations 2014

PART 4

Capacity auctions

CHAPTER 2

Auction parameters

Meaning of auction parameters

11.—(1) “Auction parameters”, in relation to a capacity auction, means, subject to paragraph (2), such of the following as are determined by the Secretary of State for that capacity auction under regulation 12 or 29(8)—

- (a) the demand curve;
- (b) the [^{F1}auction] target capacity;
- (c) the price cap;
- (d) the price-taker threshold;
- (e) the 15 year minimum £/kW threshold and 3 year minimum £/kW threshold;
- (f) the base period applicable for the purpose of calculation of capacity payments;
- ^{F2}(g)
- (h) in relation to a DSR transitional auction, the parameter specified in regulation 29(8).

(2) If any of the parameters referred to in paragraph (1) for a capacity auction have been adjusted in accordance with these Regulations or capacity market rules, references to the auction parameters for that capacity auction are to the parameters as so adjusted.

(3) In paragraph (1)—

“15 year minimum £/kW threshold” means the minimum amount of capital expenditure per kilowatt of de-rated capacity which a bidder must commit to spending on a generating CMU [^{F3}or an unproven demand side response CMU] to be eligible to bid for a capacity obligation for a period of more than 3 and up to 15 delivery years;

“3 year minimum £/kW threshold” means the minimum amount of capital expenditure per kilowatt of de-rated capacity which a bidder must commit to spending on a generating CMU [^{F4}or an unproven demand side response CMU] to be eligible to bid for a capacity obligation for a period of 2 or 3 delivery years;

[^{F5}“auction target capacity” means, in respect of a capacity auction, the portion of the target capacity in relation to the capacity year corresponding to the delivery year for which the capacity auction is to be held which should be used for that capacity auction.]

^{F6} ...

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Textual Amendments

- F1** Word in reg. 11(1)(b) inserted (4.7.2020) by [The Electricity Capacity \(Amendment etc.\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/697\)](#), reg. 1(2), **Sch. 1 para. 2(1)**
- F2** Reg. 11(1)(g) omitted (14.7.2016) by virtue of [The Electricity Capacity \(Amendment\) Regulations 2016 \(S.I. 2016/742\)](#), reg. 1(2), **Sch. 1 para. 44(a)**
- F3** Words in reg. 11(3) inserted (4.7.2020) by [The Electricity Capacity \(Amendment etc.\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/697\)](#), reg. 1(2), **Sch. 1 para. 2(2)(a)**
- F4** Words in reg. 11(3) inserted (4.7.2020) by [The Electricity Capacity \(Amendment etc.\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/697\)](#), reg. 1(2), **Sch. 1 para. 2(2)(b)**
- F5** Words in reg. 11(3) inserted (4.7.2020) by [The Electricity Capacity \(Amendment etc.\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/697\)](#), reg. 1(2), **Sch. 1 para. 2(2)(c)**
- F6** Words in reg. 11(3) omitted (14.7.2016) by virtue of [The Electricity Capacity \(Amendment\) Regulations 2016 \(S.I. 2016/742\)](#), reg. 1(2), **Sch. 1 para. 44(b)**

Determination of auction parameters by the Secretary of State

12.—(1) For each capacity auction, the Secretary of State must determine each of the auction parameters referred to in sub-paragraphs (a) to (d) of regulation 11(1).

(2) For each T-4 auction, the Secretary of State must also—

- (a) determine the auction parameters referred to in sub-paragraphs (e) and (f) of regulation 11(1); and

^{F7}(b)

[^{F8}(2A) When determining under paragraph (1) the auction parameter referred to in regulation 11(1)(b) (auction target capacity) in respect of a T-4 auction and the delivery year for which that T-4 auction is to be held (“delivery year x”), the Secretary of State must—

- (a) determine the target capacity for the capacity year corresponding to delivery year x;
- (b) determine the target capacity for the capacity year corresponding to delivery year x that should be set aside for the T-1 auction for delivery year x (“the T-1 auction set aside”) in accordance with paragraph (2B); and
- (c) deduct the T-1 auction set aside from the target capacity for the capacity year corresponding to delivery year x.

(2B) For the purposes of paragraph (2A)(b), the Secretary of State must determine the T-1 auction set aside by applying a 95% confidence interval around the target capacity for the capacity year corresponding to delivery year x.

(2C) For each T-1 auction, where the delivery year corresponds with delivery year x, the Secretary of State must determine the auction parameter referred to in regulation 11(1)(b) (auction target capacity) to be an amount equal to or greater than 50% of the T-1 auction set aside if previously determined under paragraph (2A)(b) for the T-1 auction for delivery year x.]

(3) The determinations under paragraphs (1) and (2) are subject to any adjustments which may be made under regulations 13 and 28.

(4) The Secretary of State must—

- (a) make the determinations under paragraph (1) and, if applicable, paragraph (2), and give notice of them to the Delivery Body as soon as reasonably practicable after publishing a decision to hold a capacity auction; and
- (b) publish the determinations.

(5) In making the determinations under paragraphs (1) and (2), the Secretary of State must take into account—

- (a) the electricity capacity report [^{F9}(including any annex prepared under regulation 7(6) [^{F10}or (8)]];
- (b) the reliability standard; and
- (c) the matters specified in section 5(2) of the Act.

[^{F11}(6) If the auction target capacity determined by the Secretary of State for a T-1 auction or a T-4 auction is different from a recommendation in the electricity capacity report as to the portion of the target capacity that should be used in that capacity auction, the determination must include an explanation of—

- (a) the Secretary of State’s reasons for not following that recommendation; and
- (b) the basis upon which the Secretary of State has made the determination.]

[^{F12}(7) In this regulation—

- “the 95% confidence interval” means the range of values within which the target capacity for a capacity year may be expected to lie with a 0.95 level of probability;
- “auction target capacity” has the meaning given in regulation 11(3).]

Textual Amendments

- F7** Reg. 12(2)(b) omitted (14.7.2016) by virtue of [The Electricity Capacity \(Amendment\) Regulations 2016 \(S.I. 2016/742\)](#), reg. 1(2), **Sch. 1 para. 45**
- F8** Reg. 12(2A)-(2C) inserted (4.7.2020) by [The Electricity Capacity \(Amendment etc.\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/697\)](#), reg. 1(2), **Sch. 1 para. 3(1)**
- F9** Words in reg. 12(5)(a) inserted (14.7.2016) by [The Electricity Capacity \(Amendment\) Regulations 2016 \(S.I. 2016/742\)](#), reg. 1(2), **Sch. 1 para. 4**
- F10** Words in reg. 12(5)(a) inserted (18.7.2019) by [The Electricity Capacity \(No. 2\) Regulations 2019 \(S.I. 2019/1139\)](#), regs. 1(2), **2(5)**
- F11** Reg. 12(6) substituted (4.7.2020) by [The Electricity Capacity \(Amendment etc.\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/697\)](#), reg. 1(2), **Sch. 1 para. 3(2)**
- F12** Reg. 12(7) inserted (4.7.2020) by [The Electricity Capacity \(Amendment etc.\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/697\)](#), reg. 1(2), **Sch. 1 para. 3(3)**

Adjustment of auction parameters following prequalification

13.—(1) [^{F13}Subject to paragraph (1A),] after the Secretary of State receives a notification from the Delivery Body under regulation 23, the Secretary of State may decide to adjust any of the auction parameters for the capacity auction to which the notification relates.

[^{F14}(1A) If the Secretary of State adjusts the auction parameter referred to in regulation 11(1) (b) (auction target capacity) for a T-1 auction, that auction target capacity must remain equal to or greater than 50% of the T-1 auction set aside if previously determined under regulation 12(2A)(b) for that T-1 auction and delivery year.]

(2) The Secretary of State must make any decision under paragraph (1), and give notice of any adjustments to the Delivery Body, within [^{F15}10] working days after receiving the notification from the Delivery Body.

[^{F16}(3) In this regulation, “the T-1 auction set aside” has the meaning given in regulation 12(2A) (b).]

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Textual Amendments

- F13** Words in [reg. 13\(1\)](#) inserted (4.7.2020) by [The Electricity Capacity \(Amendment etc.\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/697\)](#), [reg. 1\(2\)](#), **Sch. 1 para. 4(1)**
- F14** [Reg. 13\(1A\)](#) inserted (4.7.2020) by [The Electricity Capacity \(Amendment etc.\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/697\)](#), [reg. 1\(2\)](#), **Sch. 1 para. 4(2)**
- F15** Word in [reg. 13\(2\)](#) substituted (14.7.2016) by [The Electricity Capacity \(Amendment\) Regulations 2016 \(S.I. 2016/742\)](#), [reg. 1\(2\)](#), **Sch. 1 para. 46**
- F16** [Reg. 13\(3\)](#) inserted (4.7.2020) by [The Electricity Capacity \(Amendment etc.\) \(Coronavirus\) Regulations 2020 \(S.I. 2020/697\)](#), [reg. 1\(2\)](#), **Sch. 1 para. 4(3)**

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