
DRAFT STATUTORY INSTRUMENTS

2014 No.

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 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;
- (g) price duration equivalences for each possible clearing price in the capacity auction; and
- (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 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 to be eligible to bid for a capacity obligation for a period of 2 or 3 delivery years;

a “price duration equivalence” means the price at which a bid for a capacity obligation for a specified duration of 2 or more delivery years is to be treated as equivalent to a bid for a capacity obligation for one delivery year, for the purposes of determining—

- (a) in respect of which bids capacity obligations are to be awarded; and
- (b) the capacity cleared price applying to those capacity obligations.

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

(b) determine whether price duration equivalences are to apply in that capacity auction and, if so, determine those price duration equivalences.

(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;

(b) the reliability standard; and

(c) the matters specified in section 5(2) of the Act.

(6) If the target capacity determined by the Secretary of State is different from a recommendation in the electricity capacity report, 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.

Adjustment of auction parameters following prequalification

13.—(1) 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.

(2) The Secretary of State must make any decision under paragraph (1), and give notice of any adjustments to the Delivery Body, within 5 working days after receiving the notification from the Delivery Body.