

# Report

## Annual Report on the Operation of the Capacity Market in 2023/24

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### Overview:

The Electricity Capacity Regulations 2014 (as amended) (“Regulations”) require Ofgem to provide the Secretary of State for Department for Energy Security and Net Zero (“Secretary of State”) with an annual report on the operation of the Capacity Market.

As per Regulation 83(5), annual reports must be published within six months following the completion of each T-4 Auction and, if no T-4 Auction is held, by no later than six months after the end of that Capacity Year.

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## Executive summary

The ninth report on the operation of the Capacity Market (CM) covers the Capacity Market Delivery Year (“Delivery Year”) 1 October 2023 to 30 September 2024. Two CM Auctions (the “Auctions”) were scheduled in this period: the 2023/24 T-1 Auction (Delivery Year 2024/25) and the 2023/24 T-4 Auction (Delivery Year 2027/28). The report describes the Auction outcomes for both these Auctions, including Prequalification processes and observations.

### Prequalification

#### Prequalification outcomes

The Electricity Market Reform Delivery Body (“Delivery Body”) received a total of 810 Prequalification Applications for the 2023/24 T-4 Auction, totalling 47.3GW of De-rated Capacity. The final number of prequalified Capacity Market Units (CMUs) for the T-4 Auction was 616, totalling 44.2GW of De-rated Capacity.<sup>1</sup>

The 2023/24 T-1 Auction saw a total of 370 Prequalification Applications submitted by CMUs totalling 10.0GW of De-rated Capacity. The final number of prequalified CMUs for the T-1 Auction was 335, totalling 9.8GW of De-rated Capacity.<sup>2</sup>

#### Dispute outcomes

The Delivery Body received 156 requests for a reconsidered decision (“Tier 1 dispute”) for the 2023/24 T-4 Auction and 113 for the 2023/24 T-1 Auction. A total of 3 CMUs submitted an Appeal to the Authority (“Tier 2 dispute”) for the T-4 Auction, and 5 CMUs for the T-1 Auction. Ofgem upheld the Prequalification decision made by the Delivery Body for all 3 CMUs submitting Tier 2 disputes in the T-4 Auction. Ofgem upheld the Prequalification decision made by the Delivery Body for 1 CMU and overturned the decision for 4 CMUs submitting Tier 2 disputes in the T-1 Auction.<sup>3,4</sup>

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<sup>1</sup> CMR 2023 T-4 Auction (published 31 July 2024)

<sup>2</sup> CMR 2023 T-1 Auction (published 31 July 2024)

<sup>3</sup> Data provided by the Delivery Body and Ofgem

<sup>4</sup> [Ofgem's determinations on Tier 2 Capacity Market disputes, 2023/24 Delivery Year | Ofgem](#)

## Auction results

The 2023/24 T-4 Auction cleared at a price of £65.00/kW/year and a total of approximately 42.8GW of De-rated Capacity were awarded Capacity Agreements. Gas CMUs gained the most De-rated Capacity in the Auction at approximately 28.7GW which was over half (67%) of the total De-rated Capacity procured in the Auction. This was followed by Interconnector CMUs at 15%, totalling approximately 6.6GW of De-rated Capacity.<sup>5</sup> 50MW of Onshore Wind and Solar De-rated Capacity secured a Capacity Agreement (0.12%)

The 2023/24 T-1 Auction cleared at a price of £35.79/kW/year and a total of approximately 7.6GW of De-rated Capacity were awarded Capacity Agreements. The largest De-rated Capacity awarded agreements were from Gas CMUs totalling approximately 2.9GW (39%). This was followed by Nuclear CMUs totalling approximately 2.7GW (36%) of De-rated Capacity.<sup>6</sup> 118MW of Onshore Wind, Offshore Wind and Solar De-rated Capacity secured a Capacity Agreement (2%).

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<sup>5</sup> [T-4 DY 27-28 Final Auction Results Report](#)

<sup>6</sup> [T-1 DY 24-25 Final Auction Results Report](#)

## 1. Background

### Purpose of the report

- 1.1. This report covers the operation in the CM in the Delivery Year 2023/24 (as of August 2024). This report includes a factual presentation of the Prequalification process and the outcomes of two Auctions: 2023/24 T-1 Auction and 2023/24 T-4 Auction.
- 1.2. The report is one of the two Ofgem is required to provide to the Secretary of State after each T-4 Auction under Regulation 83(1)(a) of the Electricity Capacity Regulations 2014 (the “Regulations”).<sup>7</sup> The second report is on the performance of the National Grid Electricity System Operator’s (“NGESO”) functions as the Delivery Body for the Capacity Market. This is now included in the end of Business Plan 1 review of the Electricity System Operator’s Performance.
- 1.3. All data, unless stated, is taken from the Capacity Market Registers (“CMR”) that were published on the 31st July 2024.

### Scope of the report

- 1.4. The report outlines the Prequalification process and outcomes, and reports on the outcomes of two Auctions: the 2023/24 T-1 Auction and the 2023/24 T-4 Auction.
- 1.5. It includes:
  - analysis of participation outcomes and bidding behaviour;
  - an update of delivery against milestones of Capacity Agreements won in earlier Auctions; and
  - an overview of Satisfactory Performance Days (“SPDs”) data from the 2023/24 Delivery Year.

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<sup>7</sup> [The Electricity Capacity Regulations 2014.](#)

- 1.6. The Secretary of State may instruct Ofgem to report on any particular matter as part of this report. No such instruction was received in relation to this report.

## Background to the Capacity Market

### Overview of the CM

- 1.7. The CM was introduced in 2014 to maintain sufficient levels of capacity to ensure security of electricity supply.
- 1.8. The CM provides revenue in the form of Capacity Payments to potential Capacity Providers. In return, Capacity Providers must commit to delivering electricity at times of system stress or facing penalties if they fail to do so.
- 1.9. Capacity Payments are determined via competitive Auctions, held four years (T-4 Auction) and one year (T-1 Auction) before each delivery period. The T-1 Auctions are used to 'top-up' the target Capacity for the Delivery Year and spread the risk. Applicants must meet certain eligibility requirements and prequalify before they can participate in the CM Auctions.
- 1.10. CM Auctions are technology neutral. Therefore, generators, Demand Side Response ('DSR'), interconnectors and renewables may all participate as long as they are not in receipt of other subsidies (e.g. Contracts for Difference).<sup>8</sup>

## Overview of the prequalification process

### A high-level summary of the prequalification process

- 1.11. To participate in a CM Auction, a CMU must prequalify by meeting the requirements set out in the Capacity Market Rules (the "Rules") and Regulations.<sup>9</sup> The

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<sup>8</sup> Demand Side Response is provided by customers who lower or shift their electricity use at peak times, which may be done by those customers utilising backup generation.

<sup>9</sup> [The Electricity Capacity Regulations 2014](#) and [the Capacity Market Rules](#).



Prequalification process is run by the Delivery Body, who reviews Applications and determines whether they are eligible.

- 1.12. Unsuccessful Applicants can ask the Delivery Body to review its initial decision (a 'Tier 1 appeal'). Following an unsuccessful Tier 1 appeal, an Applicant may submit an appeal to the Authority (a 'Tier 2 appeal').<sup>10</sup>

### **Classification of CMUs**

- 1.13. CMUs are classified as follows: generators and interconnectors that are currently operational ('Existing'), generators investing in refurbishing an existing asset ('Refurbishing') and new generators and interconnectors ('New Build'). DSR may also participate, either with a DSR Test ('Proven DSR') or without ('Unproven DSR').
- 1.14. Existing CMUs and all DSR CMUs are eligible for agreements that last for one year. Refurbishing and New Build CMUs are eligible to receive agreements up to 3 and 15 years respectively in the T-4 Auctions.

## **Overview of the Auction process**

### **Overarching Auction design**

- 1.15. The CM Auctions have a descending clock format, with bidders exiting the Auction when the price drops below the level at which they are willing to take on a Capacity Obligation.<sup>11</sup> There are multiple 'rounds', starting at a price cap and reducing incrementally.
- 1.16. Existing Capacity Providers are by default 'Price Takers', which means they can only place exit bids when the auction price drops below a certain threshold (£25/kW/year). In order to bid above this threshold, they must become 'Price Makers' by submitting a Price Maker Memorandum, outlining why they may need to

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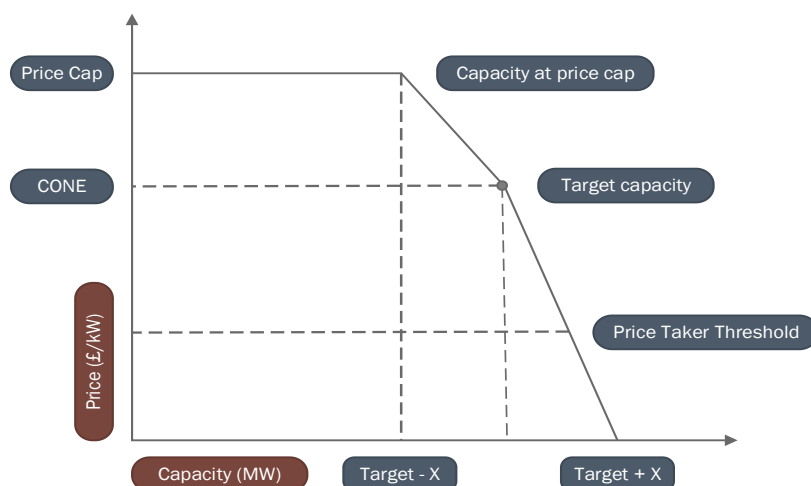
<sup>10</sup> The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day-to-day work. References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document.

<sup>11</sup> Capacity obligation: an obligation awarded pursuant to a capacity auction, applying for one or more delivery years, to provide a determined amount of capacity when required to do so in accordance with capacity market rules.

bid above the threshold. Price Makers can bid up to the Auction Price Cap (£75/kW/year).

- 1.17. As well as placing bids to exit the auction, Refurbishing and New Build CMUs may place a bid at the price at which they would like to switch from a 3-year or 15-year agreement to a one-year agreement. Refurbishing CMUs can also specify a price at which they would like to switch to a 'Pre-refurbishing' state, where they would instead receive an Existing CMU contract for one year, with no obligation to invest in the asset.
- 1.18. The Auction continues until the total capacity offered by remaining applicants falls below the demanded capacity at that price (the 'Clearing Round'). Applicants still in the auction will receive a Capacity Agreement at this price.
- 1.19. The demand curve for the Auction, as shown in Figure 1 below, is sloped downwards, reflecting the benefit in securing more capacity when the price is low. A variability from the target ("X") defines the slope of the curve.
- 1.20. The auction price cap is set at £75/kW/year and the price floor is £0/kW/year. The target capacity is set at the Net Cost of New Entry (net CONE), which is the estimated total cost to operate the most competitive technology minus their expected returns from other energy and ancillary services. Finally, a Price Taker threshold is set at £25/kW/year. In order to submit exit bids above this threshold, auction participants must have Price Maker status, which is automatically given to New Build CMUs and can be applied for by Existing Generation CMUs.

**Figure 1: Capacity Market Auction Demand Curve**



## Historical overview: Auction timelines

### T-4 Auctions

1.21. Since 2014, there have been nine CM T-4 Auctions and one T-3 Auction. The T-4 Auction in 2018/19 was suspended and a T-3 Auctions was scheduled in its place for delivery of capacity in 2022/23.

**Table 1: Capacity Market T-4/T-3 Auctions**

Delivery Year	Auction Conclusion / Cleared	Clearing Price
2018/19	02-Jan-15	£19.40/kW/year
2019/20	10-Dec-15	£18.00/kW/year
2020/21	08-Dec-16	£22.50/kW/year
2021/22	08-Feb-18	£8.40/kW/year
2022/23	Suspended <sup>12</sup> (Rescheduled as T-3 Auction Jan 30 & 31, 2020)	N/A
2022/23	T-3 Auction concluded 31-Jan-20	£6.44/kW/year
2023/24	06-Mar-20	£15.97/kW/year
2024/25	10-Mar-21	£18.00/kW/year
2025/26	22-Feb-22	£30.59/kW/year
2026/27	21-Feb-23	£63.00/kW/year
2027/28	27-Feb-24	£65.00/kW/year

### T-1 Auctions

1.22. There have been seven CM T-1 Auctions. The T-1 Auction in 2018 was postponed and rather than holding the auction in January 2019 as previously scheduled, it was held June 2019 for delivery of Capacity in 2020/21.

<sup>12</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/864748/T-3\\_2020\\_for\\_delivery\\_2021\\_22\\_Auction\\_Monitor\\_Report\\_Final\\_v1.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/864748/T-3_2020_for_delivery_2021_22_Auction_Monitor_Report_Final_v1.pdf)

**Table 2: Capacity Market T-1 Auctions**

Delivery Year	Auction Conclusion / Cleared	Clearing Price
2018/19	01-Feb-18	£6.00/kW/year
2019/20	12-Jun-19	£0.77/kW/year
2020/21	07-Feb-20	£1.00/kW/year
2021/22	02-Mar-21	£45.00/kW/year
2022/23	15-Feb-22	£75.00/kW/year
2023/24	14-Feb-23	£60.00/kW/year
2024/25	20-Feb-24	£35.79/kW/year

**Transitional arrangement (TA) Auctions**

1.23. The TA Auctions involved two additional auctions designed to encourage growth in specific categories of capacity to enable them to participate in the main CM in future.<sup>13</sup> TA auctions offered targeted support to DSR to encourage enterprise and increase levels of participation in the two years preceding full Capacity market delivery in 2018 to 2019.<sup>14</sup>

**Table 3: Transitional Arrangement (TA) Auctions**

Delivery Year	Auction Conclusion / Cleared	Clearing Price
2016/17	27-Jan-16	£27.50/kW/year
2017/18	22-Mar-17	£45.00/kW/year

<sup>13</sup> [Evaluation of the Transitional Arrangements - Phase 1 Full Report.pdf \(publishing.service.gov.uk\)](#)

<sup>14</sup> [Transitional arrangements auction - GOV.UK \(www.gov.uk\)](#)

## Early Auction

1.24. An additional one-year ahead CM Auction was introduced by the Department for Business, Energy & Industrial Strategy (BEIS) in 2017 as an Early Auction.<sup>15</sup> This was held in January 2017 to procure capacity for delivery in 2017/18.<sup>16</sup>

**Table 4: Early Auction**

Delivery Year	Auction Conclusion / Cleared	Clearing Price
2017/18	03-Feb-17	£6.95/kW/year

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<sup>15</sup> BEIS existed until 2023 when it was split to form the Department for Business and Trade (DBT), the Department for Energy Security and Net Zero (DESNZ) and the Department for Science, Innovation and Technology (DSIT). DESNZ is focused on the energy portfolio from the former BEIS.

<sup>16</sup> [Transitional arrangements auction - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/transitional-arrangements-auction)

## 2. Renewable Participation

2.1. Appropriate De-rating Factors are applied to different technology classes to represent how their ability to meet the reliability standard is limited by intermittency and non-dispatchability. The values for the two auctions that occurred during the 2023/24 Delivery Year can be found in Table 5.

**Table 5: De-rating Factors for 2023/24 T-1 and T-4 Auctions**

Generation Type	2023/24 T-1 Auction <sup>17</sup>	2023/24 T-4 Auction <sup>18</sup>
Onshore Wind	8.40%	7.03%
Offshore Wind	11.52%	8.69%
Solar	5.08%	6.35%

2.2. Table 6 shows the capacity that applied for prequalification in the 2023/24 Auctions before de-rating was applied.

**Table 6: Intermittent generation Capacity that applied for prequalification for the 2023/24 T-1 and T-4 Auctions**

Generation Type	2023/24 T-1 Auction	2023/24 T-4 Auction
Onshore Wind	397MW	800MW
Offshore Wind	1214MW	0MW
Solar	234MW	606MW

2.3. Table 7 shows the De-rated Capacity that prequalified in the 2023/24 auctions.

<sup>17</sup> [2023 T-1 and T-4 Capacity Market Auction Guidelines](#)

<sup>18</sup> [2023 T-1 and T-4 Capacity Market Auction Guidelines](#)

**Table 7: Intermittent generation Capacity that prequalified for the 2023/24 T-1 and T-4 Auctions**

<b>Generation Type</b>	<b>2023/24 T-1 Auction</b>	<b>2023/24 T-4 Auction</b>
Onshore Wind	33MW	42MW
Offshore Wind	140MW	0MW
Solar	12MW	13MW

2.4. Table 8 shows the de-rated capacity that was awarded Capacity Agreements in the 2023/24 auctions.

**Table 8: Intermittent generation Capacity that received a Capacity Agreement for the 2023/24 T-1 and T-4 Auctions**

<b>Generation Type</b>	<b>2023/24 T-1 Auction</b>	<b>2023/24 T-4 Auction</b>
Onshore Wind	33MW	42MW
Offshore Wind	74MW	0MW
Solar	10MW	8MW

### 3. Prequalification and appeals process

3.1. This section covers Prequalification results for the 2023/24 T-4 and T-1 Auctions. It will also give a summary on the appeals process for both Auctions.

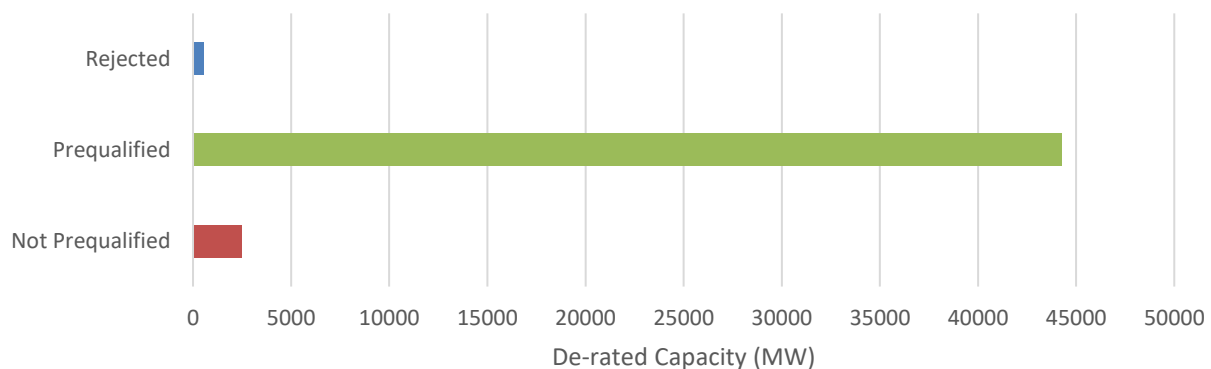
#### Prequalification outcomes for the 2023/24 T-4 Auction (Delivery Year 2027/28)

##### Applications

3.2. The 2023/24 T-4 Auction Prequalification commenced on 26 July 2023 and ended on 19 September 2023.<sup>19</sup> A total of 810 CMU applications were made during the prequalification window, totalling 47.3GW of de-rated capacity.

3.3. A total of 41 CMUS with 7.0GW of anticipated de-rated capacity opted out of prequalification. 11 out 41 CMUs (2.1GW) stated that they would be closed down, decommissioned or otherwise non-operational by the start of the Delivery Year. The other 30 CMUs (4.9GW) opted out despite their intention to be operational throughout the Delivery Year.

Figure 2: 2023/24 T-4 Auction Prequalification Decisions



<sup>19</sup> [2023 T-1 and T-4 Capacity Market Auction Guidelines](#)



- 3.4. Figure 2 illustrates in further detail the prequalification outcomes for the 2023/24 T-1 Auction.<sup>20</sup> Of the 47.3GW of de-rated capacity entering Prequalification, the share of capacity receiving a prequalified status totalled 94% (44.3GW), 5% received a not prequalified status (2.5GW) and 1% was rejected (0.5GW).

### **Prequalified CMUs**

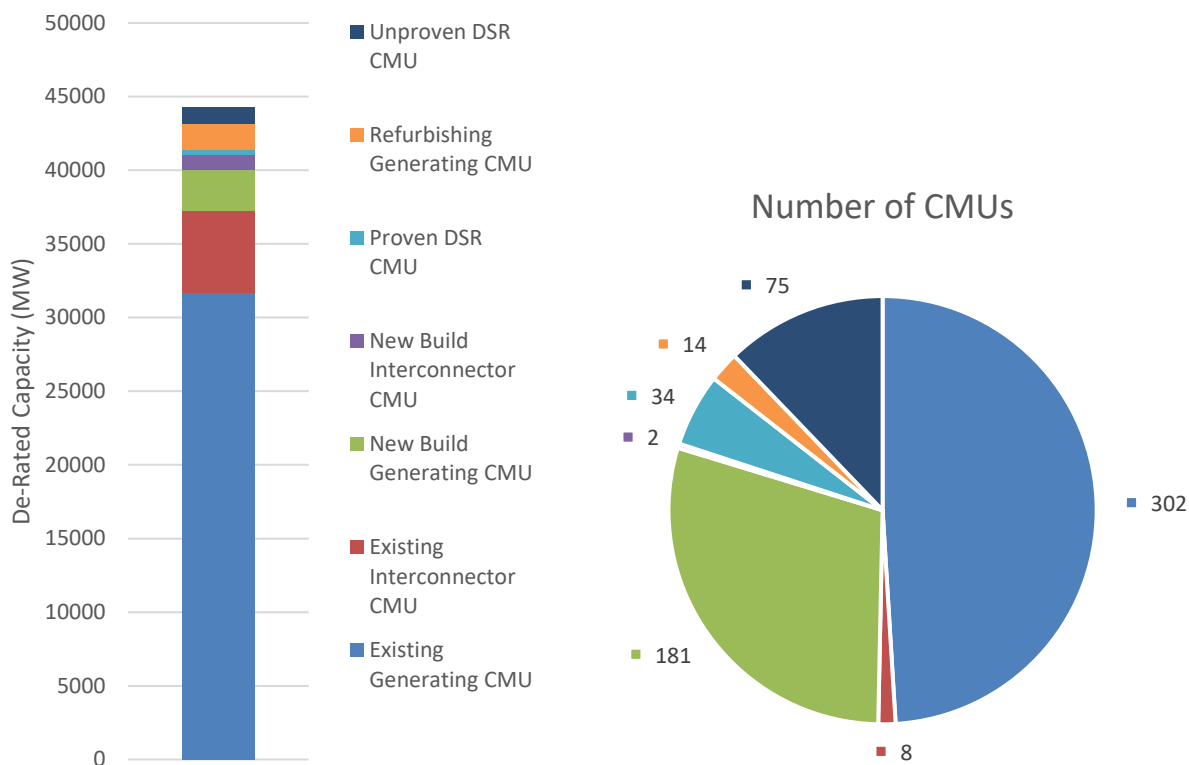
- 3.5. 616 CMUs were successful in prequalifying, totalling 44.3GW of de-rated capacity. This was 0.3GW more than the target level of capacity (44.0GW).<sup>21</sup>
- 3.6. Figure 3 below demonstrates that Existing Generating CMUs accounted for the largest share of de-rated capacity that prequalified representing 72% (31.7GW) of total de-rated capacity that prequalified. Existing Interconnector CMUs accounted for 13% (5.5GW) and New Build Generating CMUs accounted for 6% (2.8GW) of total de-rated capacity that prequalified, whilst the remaining CMU categories accounted for 4% or less.
- 3.7. Figure 3 also shows that New Build Generating CMUs (29%) and Unproven DSR CMUs (12%) make up a greater proportion of the total number of CMUs compared to de-rated capacity. This demonstrates their smaller average size compared to Existing Generating CMUs (105MW). As New Build Generating and Unproven DSR CMUs that prequalified both had an average size of 15MW.

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<sup>20</sup> At Prequalification, three decisions are made at the outset: 'Prequalified', 'Rejected', or 'Conditionally Prequalified'. If a unit is Conditionally Prequalified, it must meet the conditions of its status to become Prequalified.

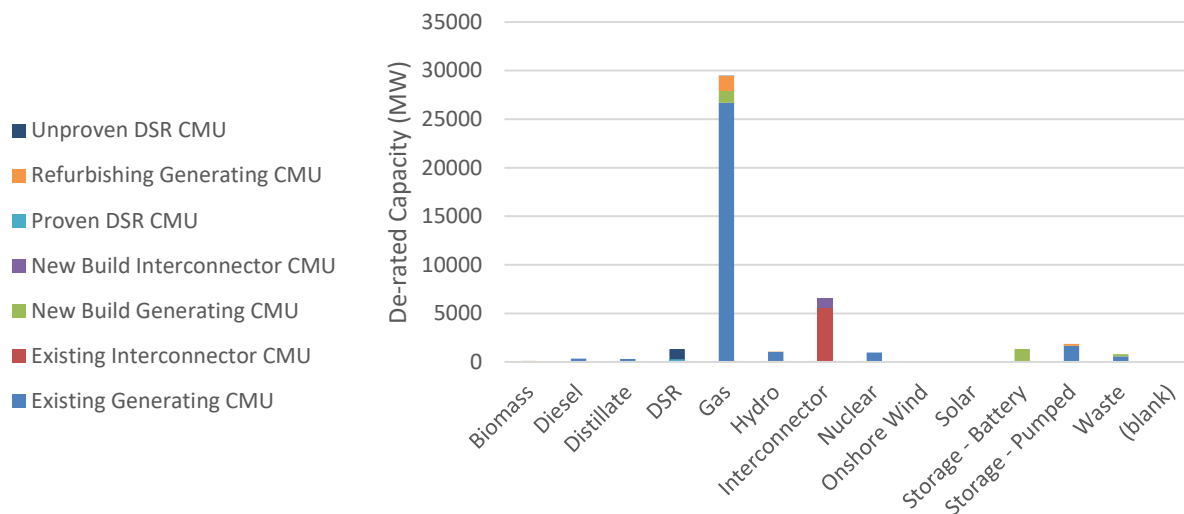
<sup>21</sup> [Letter from Secretary of State to ESO on 26 January 2024](#)

Figure 3: 2023/24 T-4 Auction Prequalified by CMU Category



3.8. Figure 4 shows that Gas CMUs accounted for a significant share of de-rated capacity that prequalified for the Auction totalling 67% (29.5GW). From this 90% was Existing Generating CMUs (26.7GW), 4% was from New Build Generating CMUs (1.2GW) and 5% was from Refurbishing Generating CMUs (1.6GW). Gas CMUs were followed by interconnector CMUs as they shared 15% (6.6GW) of the total de-rated capacity that prequalified for the auction.

**Figure 4: 2023/24 T-4 Auction Prequalified by Primary Fuel Type and CMU Category <sup>22</sup>**



3.9. Table 9 shows the breakdown of the top ten parent companies which make up approximately 68% of total prequalified capacity. However, these top ten companies only make up 19% of the number of CMUs that prequalified. SSE plc had the most CMUs prequalify for the 2023/24 T-4 Auction with 53 CMUs.

**Table 9: Top 10 Parent Companies by Total De-rated Capacity that Prequalified for the 2023/24 T-4 Auction**

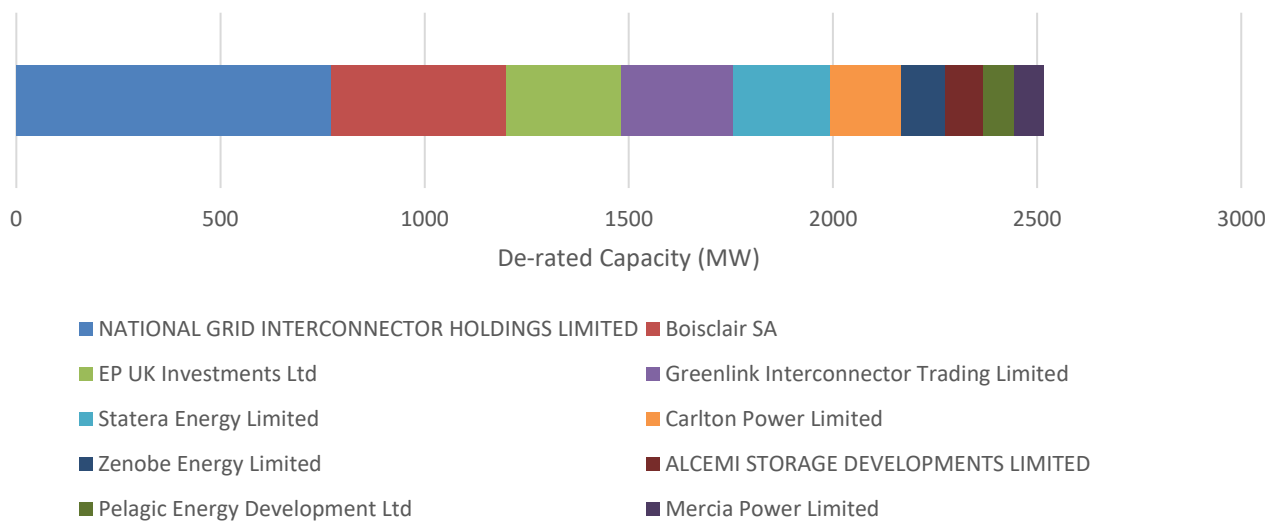
Parent Company	Sum of De-rated Capacity (MW)	Share of prequalified De-rated Capacity
RWE Generation UK Holdings Limited	6340	14%
SSE plc	4512	10%
Uniper Holding GmbH	4130	9%
NATIONAL GRID INTERCONNECTOR HOLDINGS LIMITED	3964	9%
VPI Holding Limited	2899	7%
EP UK Investments Ltd	2366	5%
INTERGEN PROJECTS (UK) LIMITED	2345	5%

<sup>22</sup> The category with no primary fuel type (blank) is a result of no primary fuel type being selected by the Capacity Provider when submitting their application for prequalification.

UK Transition Power Limited	1176	3%
National Grid Holdings One plc	1173	3%
SCCL Holdings Limited	1140	3%

3.10. Figure 5 below illustrates the top 10 parent companies entering as a New Build Generating CMU or New Build Interconnector CMU, receiving a prequalified status. Only National Grid Interconnector Holdings Limited and EP UK Investment Ltd remained in the top 10 for both total prequalified De-rated Capacity and New Build prequalified de-rated capacity. National Grid Interconnector Holdings Limited had the most New Build prequalified de-rated capacity with 770MW, followed by Boisclair SA with 430MW. The remaining parent companies all prequalified less than 300MW of de-rated capacity.

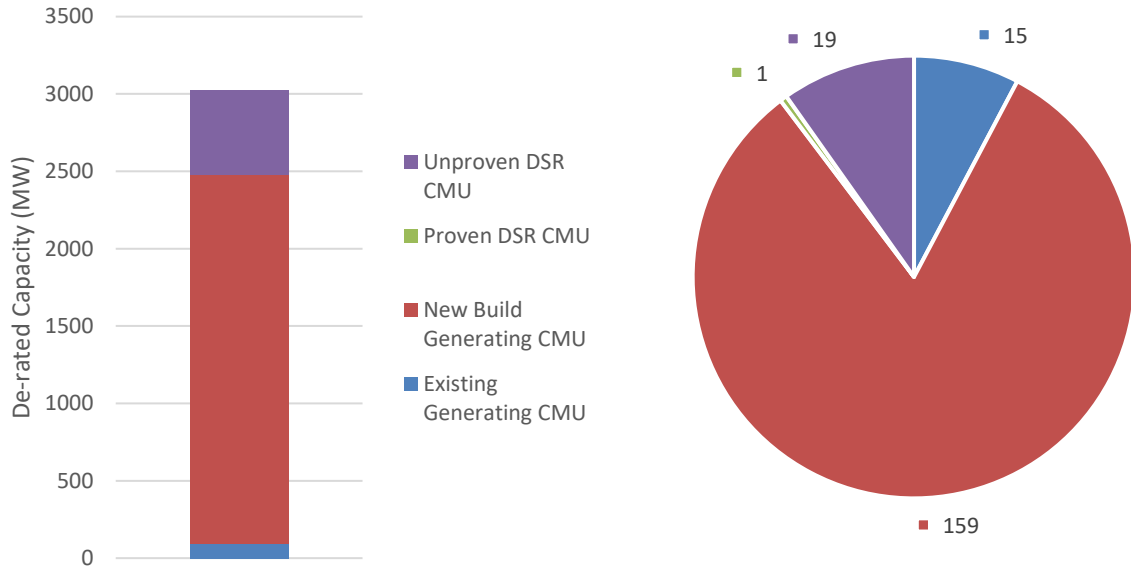
**Figure 5: 2023/24 T-4 Auction New Build Generating and New Build Interconnector CMUs Prequalified by Parent Company**



**Unsuccessful CMUs**

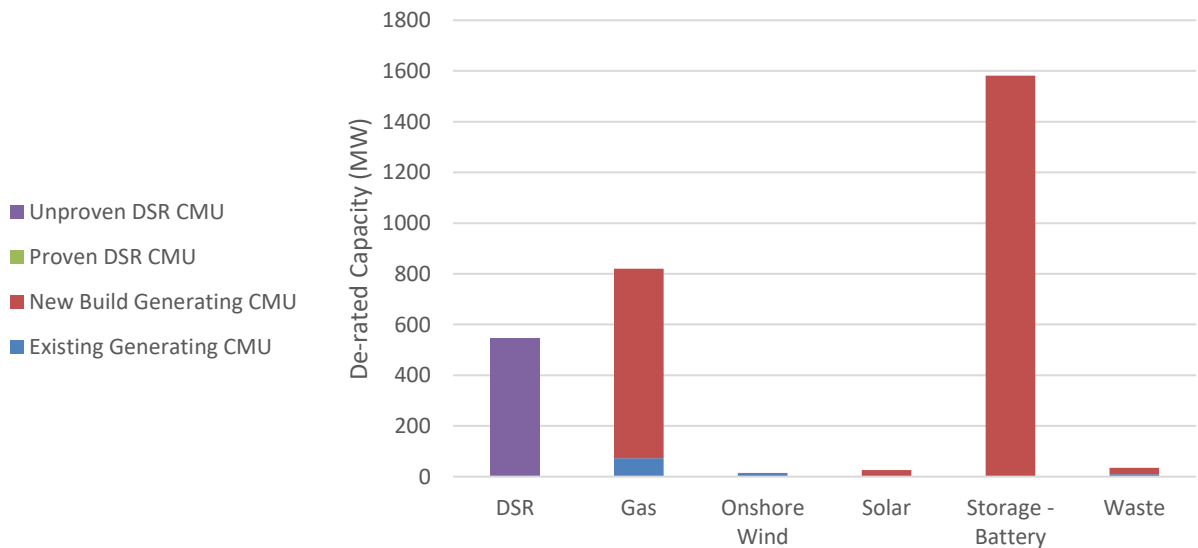
3.11. A total of 194 CMUs, amounting to 3.0GW of de-rated capacity, failed to prequalify. Figure 6 shows that the majority of these (159 CMUs) were New Build Generating CMUs which totalled 2.4GW. This was followed by 19 Unproven DSR CMUs totalling 544MW, 15 Existing Generating CMUs totalling 93MW and 1 Proven DSR CMU totalling 3MW.

**Figure 6: 2023/24 T-4 Auction Unsuccessful in Prequalification by CMU Category**



3.12. Figure 7 shows that Battery Storage CMUs accounted for a significant share of de-rated capacity that was unsuccessful in prequalification totalling 52% (1.6GW). This was followed by Gas CMUs and DSR CMUs, as they made up 27% (820MW) and 18% (547MW) of the unsuccessful prequalification de-rated capacity, respectively.

**Figure 7: 2023/24 T-4 Auction Unsuccessful in Prequalification by Primary Fuel Type and CMU Category**



## Prequalification outcomes for the 2023/24 T-1 Auction (Delivery Year 2024/25)

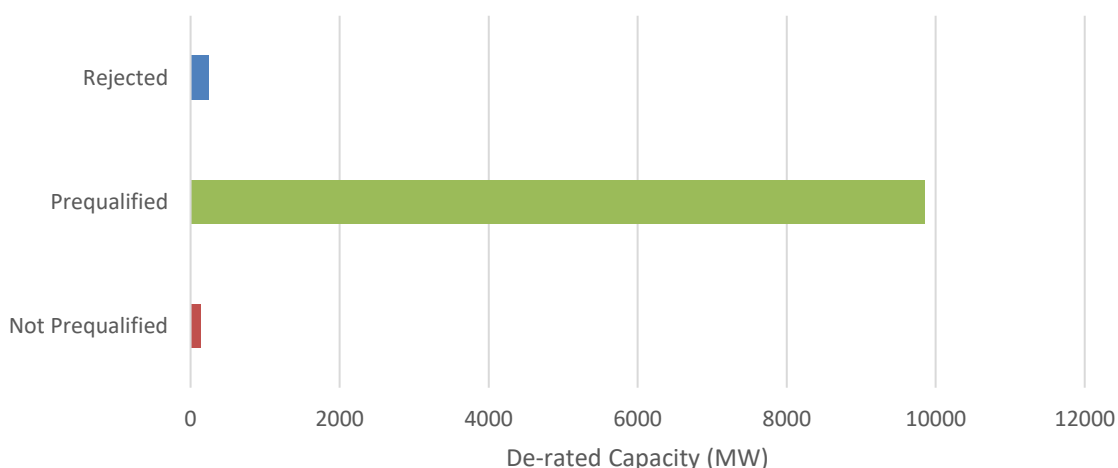
### Applications

3.13. The 2023/24 T-1 Auction Prequalification commenced on 26 July 2023 and ended on 19 September 2023.<sup>23</sup> A total of 370 CMU applications were made during the prequalification window, totalling 10.2GW of de-rated capacity.

3.14. A total of 8 CMUs with 99MW of anticipated de-rated capacity opted out of prequalification. Of these, 6 CMUs had no de-rated capacity and stated that they would be closed down, decommissioned or otherwise non-operational by the start of the Delivery Year. The other 2 CMUs (99MW) opted out due to being temporarily non-operational for the winter of the relevant Delivery Year, but operational thereafter.

3.15. Figure 8 below illustrates in further detail the Prequalification outcomes for the 2023/24 T-1 Auction. Of the 10.2GW of de-rated capacity entering Prequalification, the share of Capacity receiving a prequalified status totalled 97% (9.8GW), 2% was rejected (251MW) and 1% received a not prequalified status (142MW).

**Figure 8: 2023/24 T-1 Auction Prequalification Decisions**

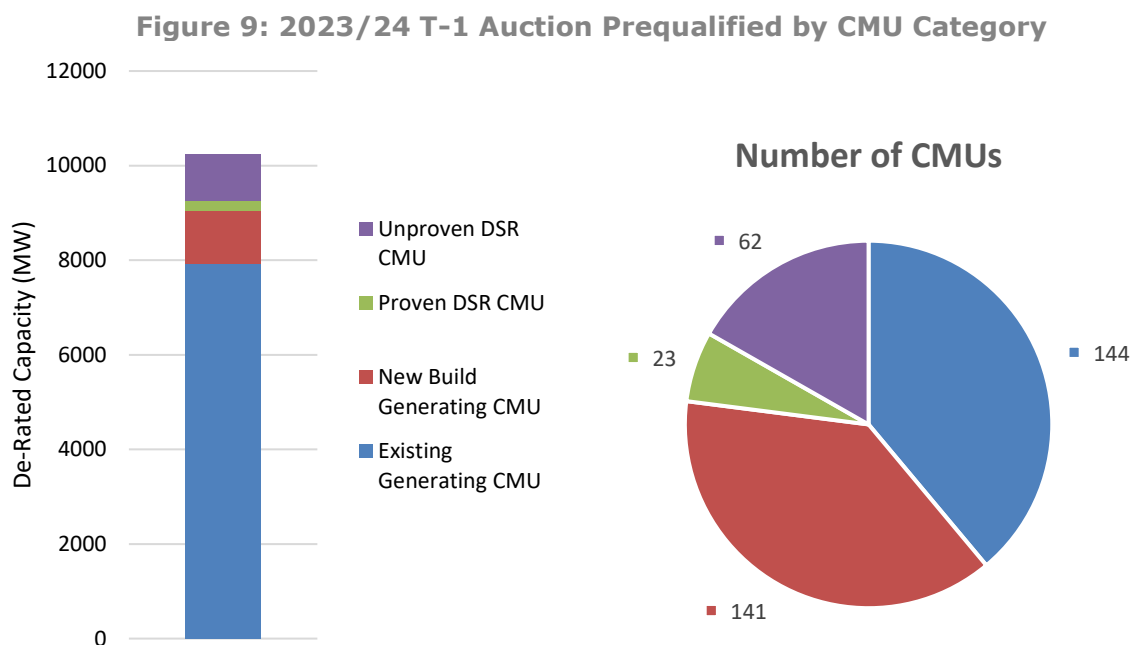


<sup>23</sup> [2023 T-1 and T-4 Capacity Market Auction Guidelines](#)

### Prequalified CMUs

3.16. 370 CMUs were successful in prequalifying, totalling 9.8GW of de-rated capacity. This was 2.1GW more than the target level of capacity (7.7GW).<sup>24</sup>

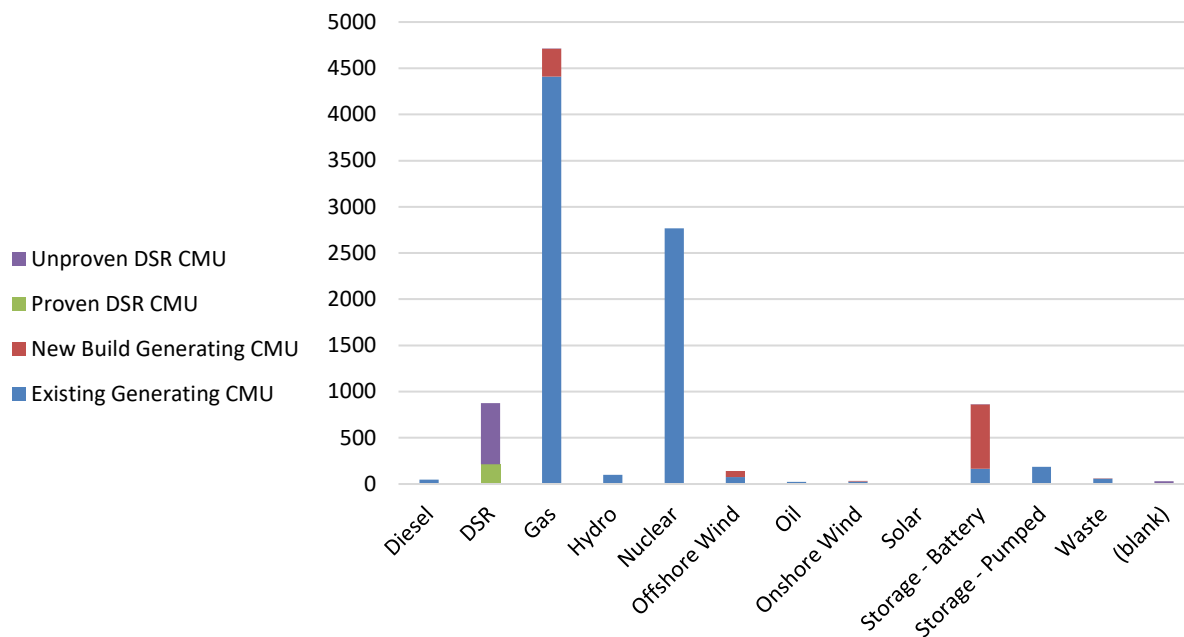
3.17. Figure 9 below demonstrates that Existing Generating CMUs accounted for the largest share of de-rated capacity that prequalified, representing 77% (7.9GW). New Build Generating CMUs accounted for 11% (1.1GW) and Unproven DSR CMUs accounted for 10% (983MW) of total de-rated capacity that prequalified, whilst Proven CMUs accounted for 2% (214MW).



3.18. Figure 9 also shows that New Build Generating CMUs (38%) and Unproven DSR CMUs (17%) make up a greater proportion of the total number of CMUs compared to de-rated capacity. This demonstrates their smaller average size compared to Existing Generation (55MW). As New Build Generating and Unproven DSR CMUs that prequalified had an average size of 8MW and 16MW, respectively.

<sup>24</sup> [Letter from Secretary of State to ESO on 26 January 2024](#)

**Figure 10: 2023/24 T-1 Auction Prequalified by Primary Fuel Type and CMU Category** <sup>25</sup>



3.19. Figure 10 shows that Gas CMUs accounted for a significant share of De-rated Capacity that prequalified for the Auction totalling 48% (4.7GW). From this 94% was Existing Gas CMUs (4.4GW), 6% was from New Build Gas CMUs (300MW). Gas CMUs were followed by Nuclear CMUs as they accounted for 28% (2.8GW) of the total De-rated Capacity that prequalified for the Auction.

3.20. Table 10 shows the breakdown of the top ten parent companies which make up approximately 79% of total prequalified capacity. However, these top ten companies only make up 17% of the number of CMUs that prequalified. GridBeyond Limited had the most CMUs prequalify for the 2023/24 T-1 Auction with 23 CMUs.

<sup>25</sup> The category with no primary fuel type (blank) is a result of no primary fuel type being selected by the Capacity Provider when submitting their application for prequalification.

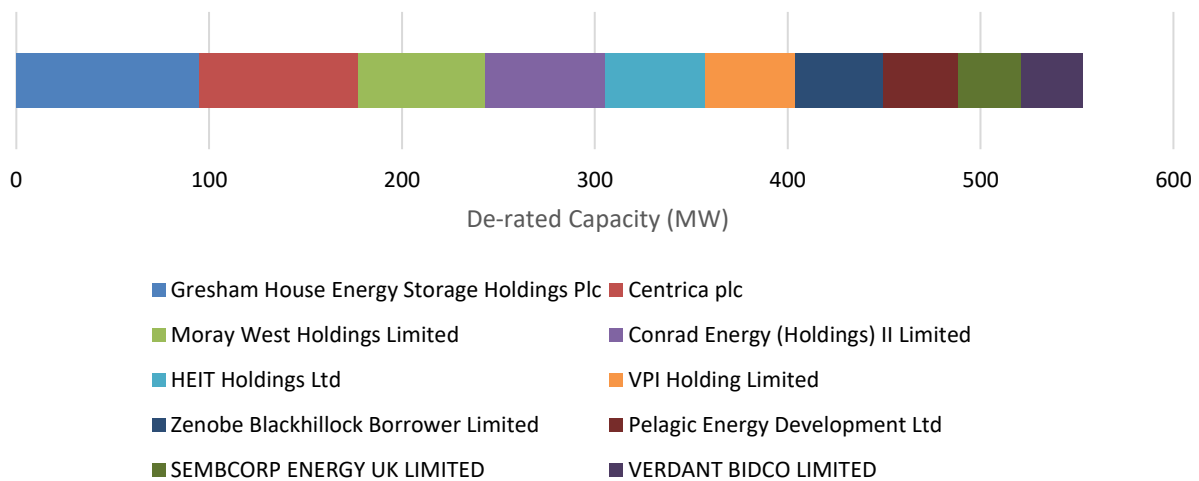


**Table 10: Top 10 Parent Companies by Total De-rated Capacity that Prequalified for the 2023/24 T-1 Auction**

Parent Company	Sum of De-rated Capacity (MW)	Share of prequalified De-rated Capacity
EDF Energy Holdings Limited	2767	36%
SSE Plc	1538	20%
Calon Energy (Severn) Limited	779	10%
Sutton Bridge Power Systems (London) Limited	779	10%
INTERGEN PROJECTS (UK) LIMITED	742	10%
ESBII UK LIMITED	267	3%
GridBeyond Limited	254	3%
ENEL X INTERNATIONAL S.R.L.	240	3%
Octopus Energy Group Limited	198	3%
First Hydro Holdings Company	185	2%

3.21. Figure 11 below illustrates the top 10 parent companies entering as a New Build Generating CMU, receiving a prequalified status. No prequalified CMU’s were in the top 10 for both total prequalified De-rated Capacity and New Build prequalified De-rated Capacity. Gresham House Energy Storage Holdings Plc had the most New Build prequalified De-rated Capacity with 95MW, followed by Centrica Plc with 82MW. The remaining parent companies all prequalified less than 70MW of De-rated Capacity.

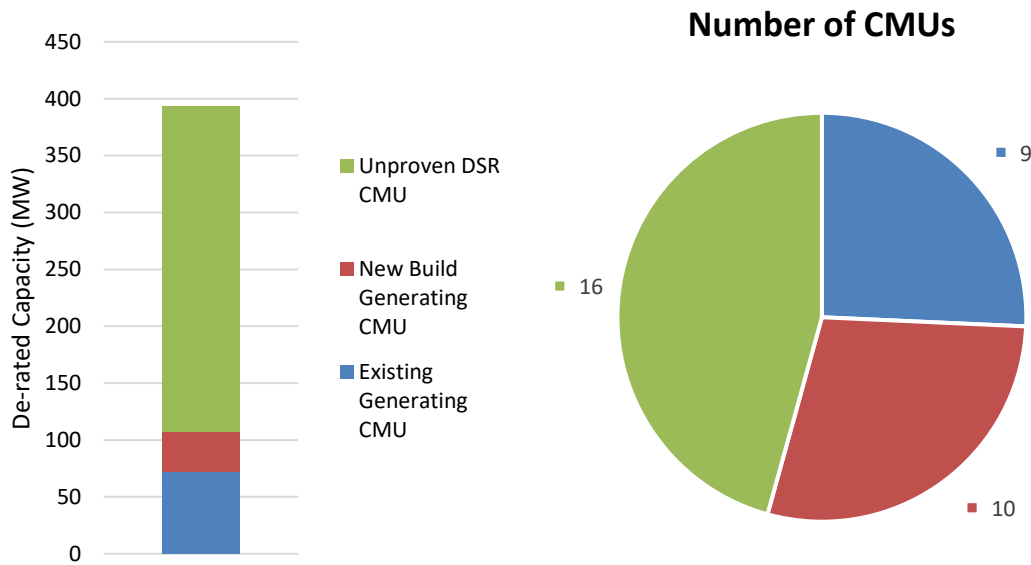
**Figure 11: 2023/24 T-1 Auction New Build Generating CMUs Prequalified by Parent Company**



**Unsuccessful CMUs**

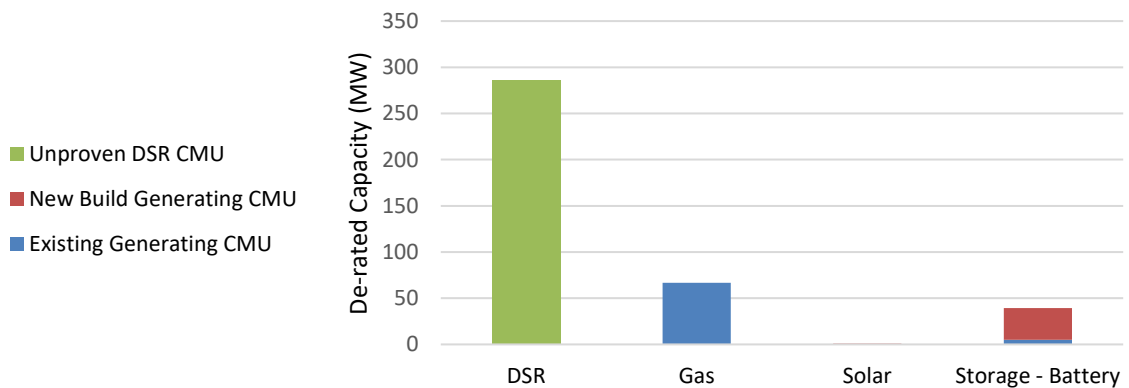
3.22. A total of 35 CMUs, amounting to 393MW of De-rated Capacity, failed to prequalify. Figure 12 shows that the majority of these (16 CMUs) were Unproven DSR CMUs which totalled 286MW. This was followed by 10 New Build Generating CMUs totalling 35MW and 9 Existing Generating CMUs totalling 72MW.

**Figure 12: 2023/24 T-1 Auction Unsuccessful in Prequalification by CMU Category**



3.23. Figure 13 shows that Unproven DSR CMUs accounted for a significant share of De-rated Capacity that was unsuccessful in prequalification totalling 73% (286MW). This was followed by Gas CMUs as they made up 17% (67MW) of the unsuccessful prequalification De-rated Capacity.

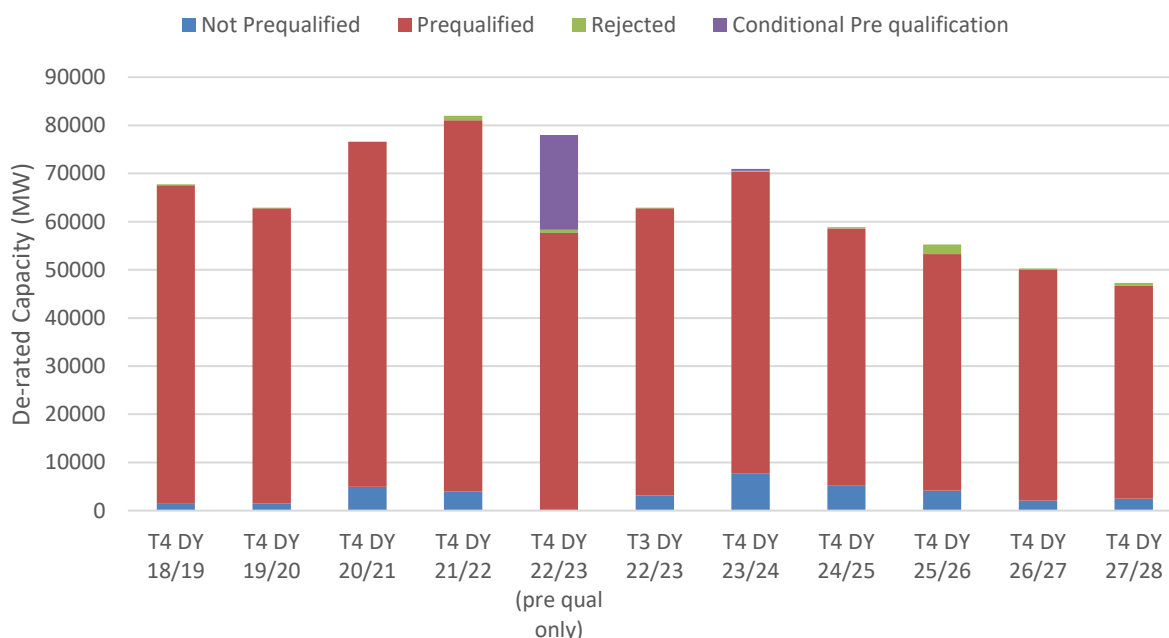
**Figure 13: 2023/24 T-1 Auction Unsuccessful in Prequalification by Primary Fuel Type and CMU Category**



## Overview of previous prequalification results for T-4 & T-3 Auctions and T-1 Auctions

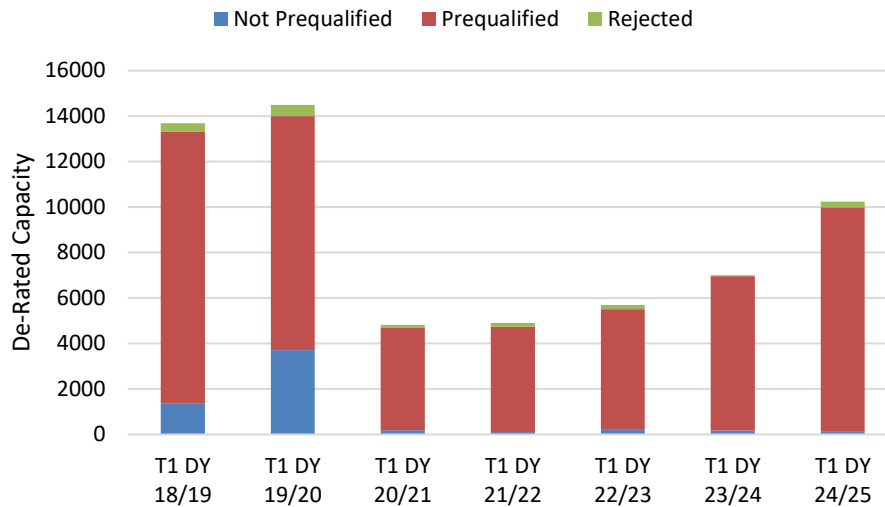
3.24. Figure 14 illustrates the T-4 and T-3 Auctions prequalification results over a ten-year period. The 2017/18 T-4 Auction (Delivery Year 2021/2022) had the most De-rated Capacity apply for Prequalification. However, there has been a big decrease as the 2023/24 T-4 auction (Delivery Year 2027/28) had approximately 42% less De-rated Capacity apply than in the 2017/2018 T-4 Auction.

**Figure 14: Historical Overview of the T-4 and T-3 Prequalification Decisions**



3.25. Figure 15 shows the T-1 Auctions prequalification results since the first Auction in 2017/18 (Delivery Year 2018/19). The 2018/19 T-1 Auction (Delivery Year 2019/20) had the most De-rated Capacity apply for Prequalification (14.5GW). Participation dropped in the 2019/20 T-1 Auction (Delivery Year 2020/21) as only 4.8GMW of De-rated Capacity (67% decrease) applied. This has risen steadily since with the 2023/24 T-1 Auction (Delivery Year 2024/25) as 10.2GW of De-rated Capacity applied.

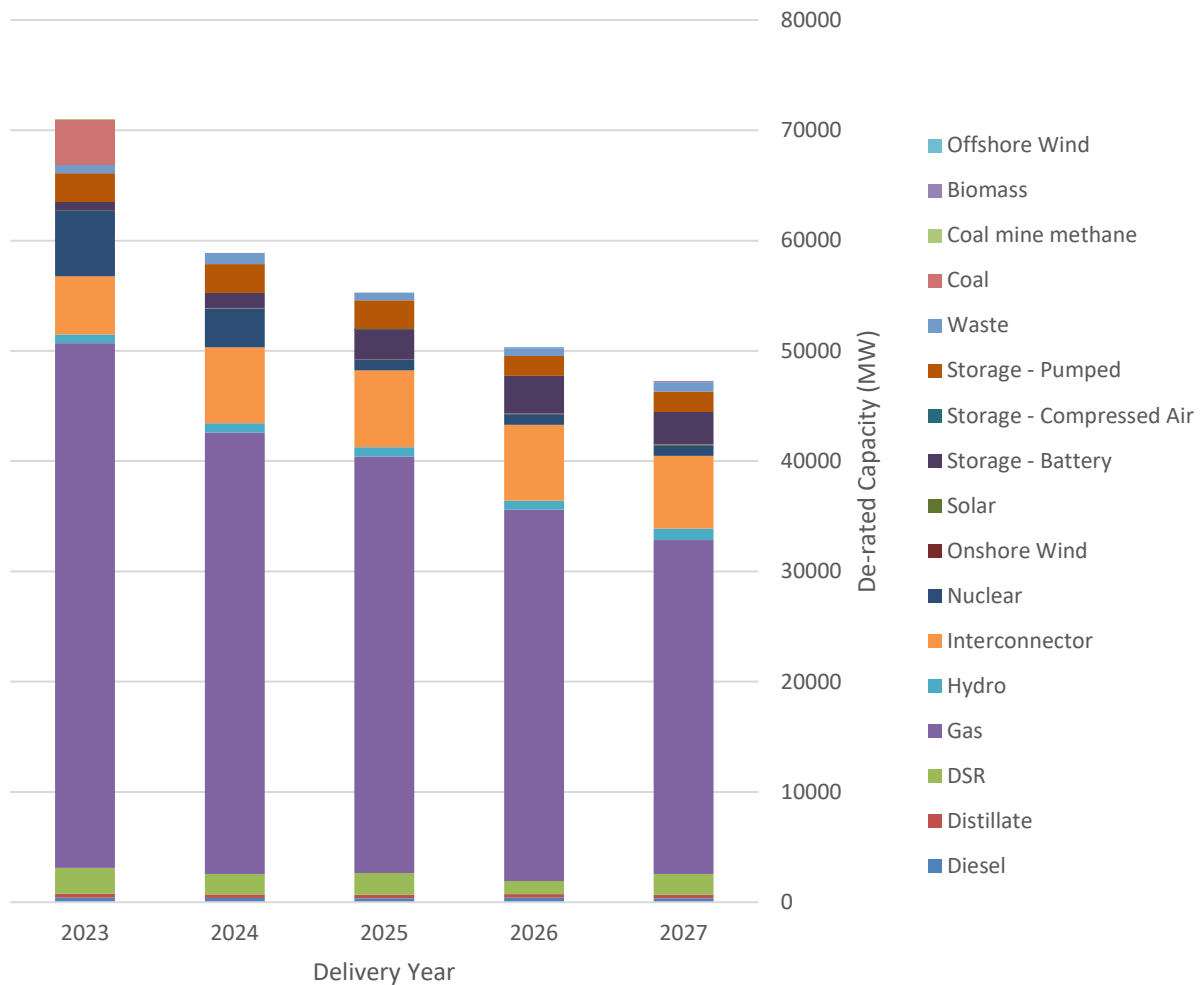
Figure 15: Historical Overview of the T-1 Prequalification Decisions



3.26. Figure 16 shows CMUs entering Prequalification for the T-4 Auctions over the previous 5 years by Primary Fuel Type. This shows a large decrease in De-rated Capacity by Nuclear, Gas and Coal entering the Prequalification for the T-4 Auctions. Gas De-rated Capacity has decreased by 36% (48GW to 30GW) since the 2019/20 T-4 Auction (Delivery Year 2023/24). Whilst Nuclear De-rated Capacity has decreased by 84% (6GW to 1GW) since the 2019/20 T-4 Auction (Delivery Year 2023/24). Coal is no longer able to participate in the T-4 Auctions due to CM emissions limits, which apply from 1 October 2024 for Capacity in operation before July 2019.<sup>26</sup> Therefore the approx. 4GW of Coal that previously took part in the T-4 Auction in 2019/20 (Delivery Year 2023/24) is no longer able to gain CM agreements. These three types of plant have caused a significant decrease in volume of De-rated Capacity entering Prequalification for the T-4 Auction and have not been replaced by the same levels of De-rated Capacity. New categories such as Onshore Wind, Offshore Wind and Solar only enter small volumes, whilst Pumped Storage CMUs have decreased by 28% over 5 years (2.6GW to 1.9GW). Over the same period, Hydro has increased by 32% (0.8MW to 1GW). Battery Storage CMUs have seen the biggest increase in De-rated Capacity entering prequalification as this has increased by 290% (0.8GW to 3GW) since the 2019/20 T-4 Auction (Delivery Year 2023/24).

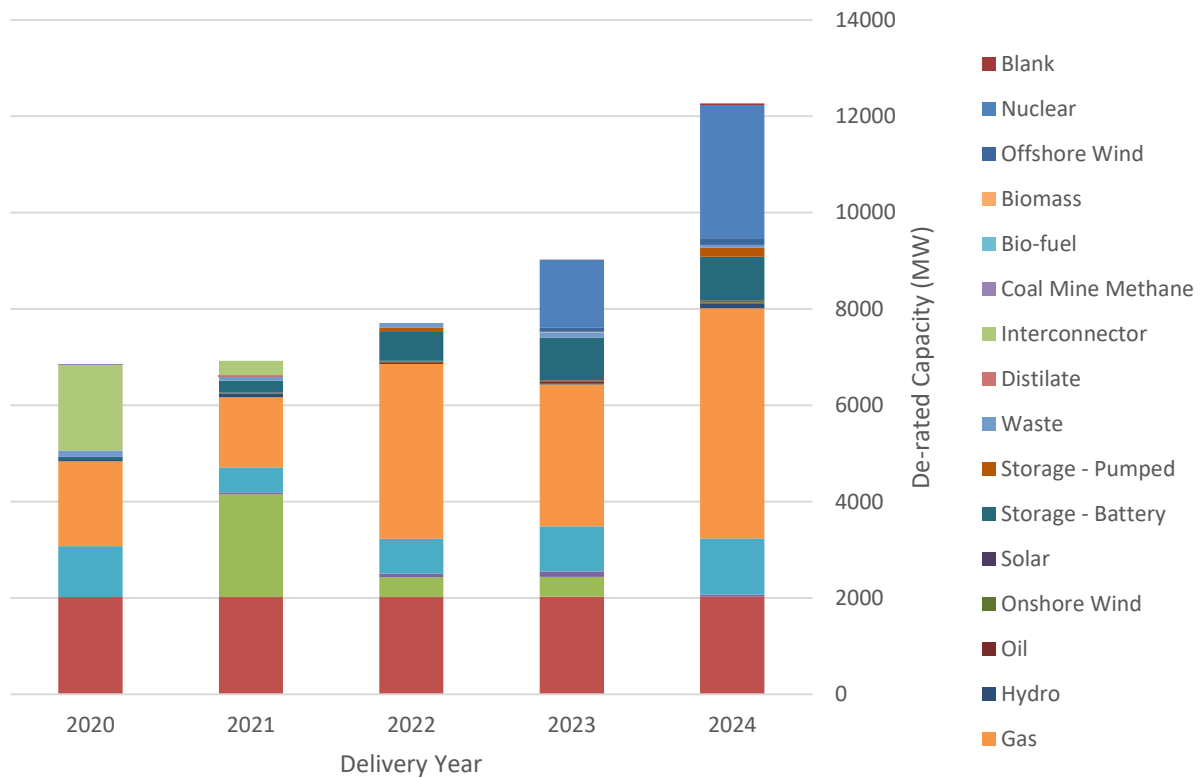
<sup>26</sup> [CM Rules](#) – Rule 3.4.11(b)

Figure 16: Primary Fuel Types Entering Prequalification for T-4 Auctions over the last 5 years



3.27. Figure 17 shows CMUs entering Prequalification for the T-1 Auctions over the previous 6 years by Primary Fuel Type. In 2024, compared with the 2023 auction, Gas increased by 62% and Nuclear increased by 96% with 2.8GW of De-rated Capacity entered Prequalification for this year’s T-1 Auction. The volumes of De-rated Capacity for Hydro, Solar, Storage and Offshore Wind have all increased year-on-year, yet still enter relatively small volumes.

**Figure 17: Primary Fuel Types Entering Prequalification for T-1 Auctions over the last 5 years**



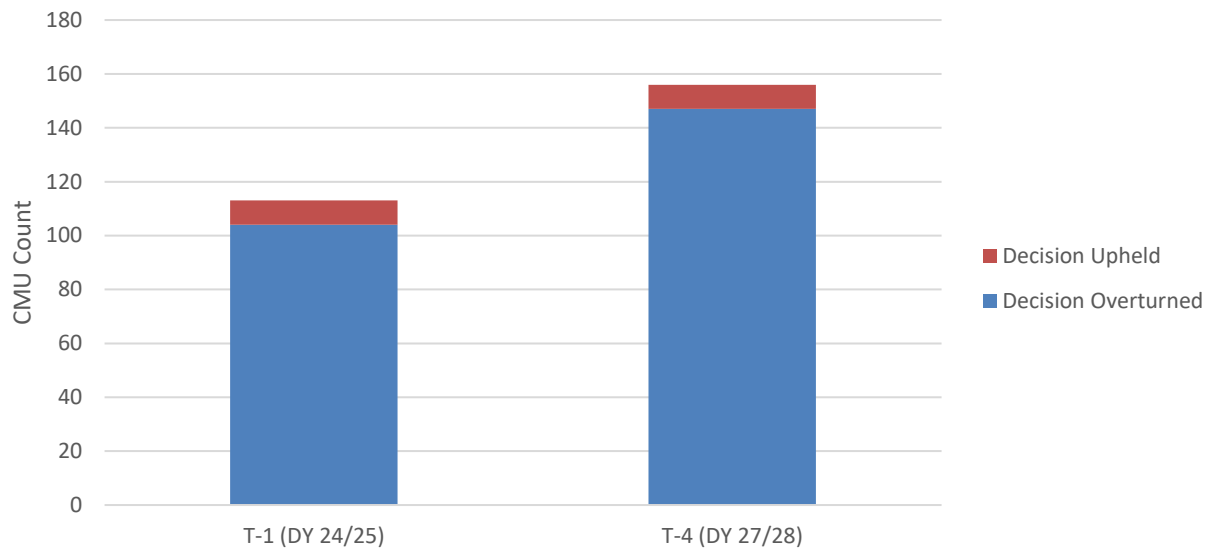
## Appeals process review

3.28. The Delivery Body received 156 appeals for reconsideration (“Tier 1 dispute”) for the 2023/24 T-4 Auction and 113 for the 2023/24 T-1 Auction.

3.29. Appeals submitted to the Delivery Body for reconsideration for the 2023/24 T-4 Auction had a success rate of 94%, meaning their non-qualification decision was overturned and the applicants were able to qualify. Whilst the 2023/24 T-1 Auction had a 92% success rate.<sup>27</sup>

<sup>27</sup> Data provided by the Delivery Body to Ofgem on 15 March 2024

**Figure 18: Outcome of Appeals to Reconsider a Prequalification Decision Submitted to the Delivery Body for the 2023/24 CM Auctions**



3.30. The five most common reasons for Applicants failing Prequalification for the 2023/24 T-4 Auction were:<sup>28</sup>

- Missing documents – Failure to provide a Terms Document and a Non-Support Confirmation
- Exhibit A – missing document
- Address – absent or does not match official records
- Exhibit ZA – missing or incorrect
- Missing component primary fuel type selection

3.31. The five most common reasons for Applicants failing Prequalification for the 2023/24 T-1 Auction were:<sup>29</sup>

- Exhibit A – missing

<sup>28</sup> Data provided by the Delivery Body to Ofgem on 15 March 2024

<sup>29</sup> Data provided by the Delivery Body to Ofgem on 15 March 2024

- Exhibit ZA – missing or incorrect
- Multi-Unit Sites – Selected MEC for MOC, not MEC Pro-Rata
- Exhibit ZB – signature error
- Exhibit A – signature error

3.32. A total of 8 CMUs submitted an Appeal to the Authority (“Tier 2 dispute”). Of these, 3 CMUs entered a Tier 2 dispute for the T-4 Auction, and 5 CMUs entered a Tier 2 dispute for the T-1 Auction.

3.33. The T-4 Auction disputes were grouped into 2 appeals, both appeals had the decision by the Delivery Body upheld by the Authority.<sup>30</sup> The subject of these disputes was due to:

- Failure to provide relevant documentation in accordance with Rule 3.6.1(c)
- Failure to provide data in the correct time frame in accordance with Rule 3.6.1(a)

3.34. The T-1 Auction disputes were also grouped into 2 appeals. One appeal had the decision by the Delivery Body upheld by the Authority, the second had the decision by the Delivery Body overturned by the Authority.<sup>31, 32</sup> The subject of these disputes was due to:

- An incomplete Fossil Fuel Emission Commitment (Exhibit ZB)
- Missing information to comply with Rule 3.6.3(c)

3.35. The overturned decision meant an additional 21MW of de-rated capacity was able to participate in the auction.

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<sup>30</sup> [Ofgem's determinations on Tier 2 Capacity Market disputes - Delivery Year 2023 to 2024 | Ofgem](#)

<sup>31</sup> The decision was overturned by the authority for the following CMUs: GSF202 Ferrymuir, GSF203 Stony A, GSF204 Stony B and GSF205 Enderby

<sup>32</sup> [Ofgem's determinations on Tier 2 Capacity Market disputes - Delivery Year 2023 to 2024 | Ofgem](#)



## 4. Auction results

### Auction outcomes for the 2023/24 T-4 Auction (Delivery Year 2027/28)

#### Auction parameters: clearing price and volume

- 4.1. The 2023/24 T-4 Auction price cap was £75/kW/year. The price decrement per round was £5/kW/year, resulting in a maximum of 15 rounds for the Auction. The T-4 Auction concluded in the 3<sup>rd</sup> Round at a clearing price of £65.00/kW/year.<sup>33</sup>
- 4.2. Of the 44.2GW that prequalified 43.3GW took part in the Auction with approximately 42.8GW of Capacity being awarded a Capacity Agreement through the Auction. This is below the central target capacity of 44.0GW, but within the target parameters (42.5 to 45.5GW) of the auction.<sup>34, 35</sup>

#### Results by CMU category

- 4.3. As demonstrated in Figure 19, a significant share of cleared volumes was from Existing Generating CMUs (78%). This was followed by Existing Interconnector CMUs which shared 13%. The remaining CMU categories each contributed less than 4% of total volumes clearing the 2023/24 T-4 Auction, collectively representing less than 11% of cleared De-rated Capacity.
- 4.4. Existing Generating CMUs offered a total of 33.3GW in the Auction, of this 33.2GW cleared equating to a 99.7% success rate in obtaining Capacity Agreements. New Build Generating CMUs offered a total of 2.0GW and saw 81% secure Capacity Agreements (1.7GW).

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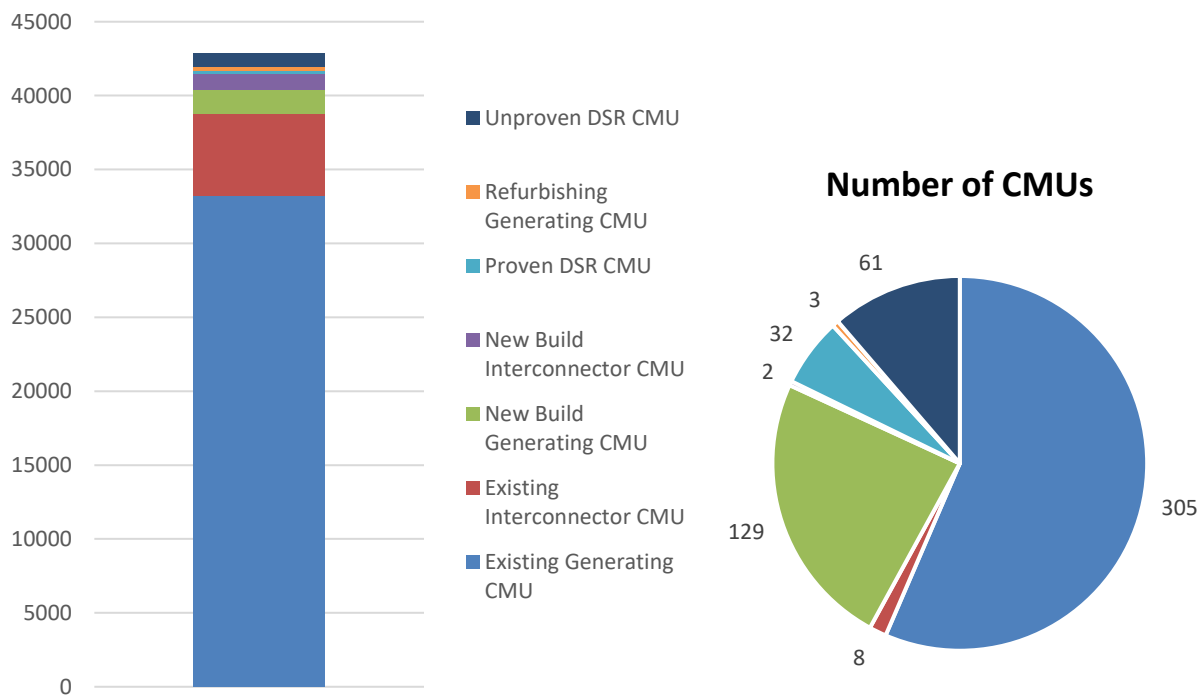
<sup>33</sup> [T-4 DY 27-28 Final Auction Results Report](#)

<sup>34</sup> [Update to the Capacity Market Auction Parameters 2024, letter from BEIS to NG ESO, January 2024 \(publishing.service.gov.uk\)](#)

<sup>35</sup> [Final auction parameters, T-1 and T-4 Capacity Market auctions - GOV.UK \(www.gov.uk\)](#)

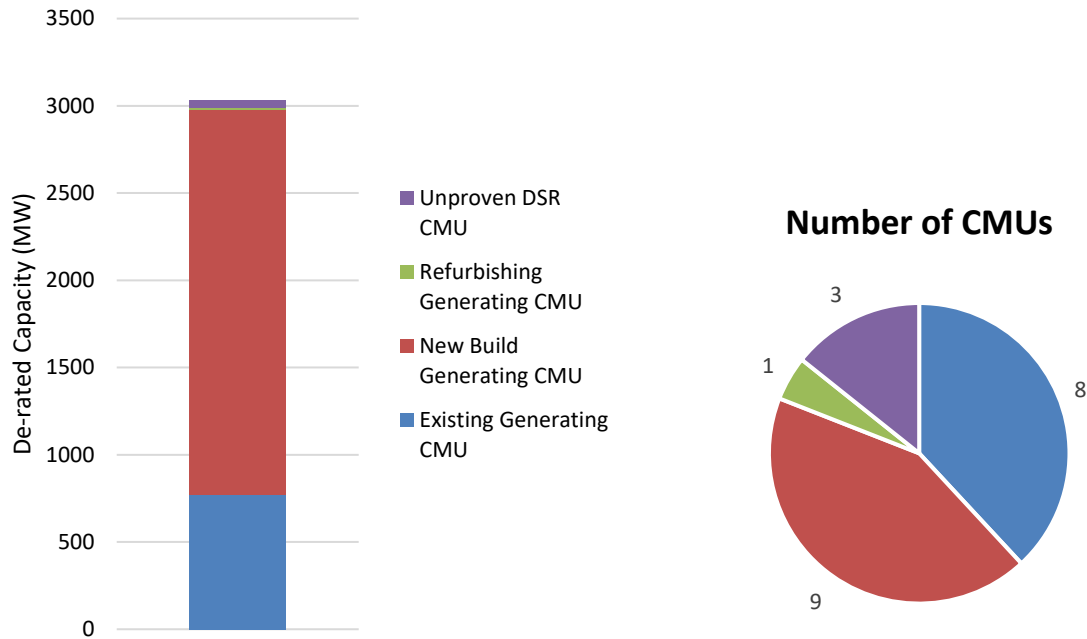
- 4.5. New Build and Existing Interconnector CMUs together represented 15% of total Capacity entering the Auction. Both these CMU types had 100% of its offered Capacity secure Capacity Agreements.
- 4.6. Proven and Unproven DSR CMUs accounted for 2% of total volumes offered in the Auction, together clearing 1.1GW of De-rated Capacity. Proven DSR CMUs saw 99.6% of its offered volumes clear and Unproven DSR CMUs saw 95% clear.
- 4.7. Lastly only 245MW of De-rated Capacity from Refurbishing Generating CMUs entered the Auction with 100% of this clearing.

**Figure 19: 2023/24 T-4 Auction Cleared De-rated Capacity by CMU Category**



- 4.8. Figure 20 illustrates the proportion of CMU Capacity failing to secure Capacity Agreements by CMU category. A total of 536MW of Capacity did not win Capacity Agreements. 72% of this is attributed to New Build Generating CMUs, 19% to Existing Generating CMUs and 9% Unproven DSR and Refurbishing Generating CMUs.

**Figure 20: 2023/24 T-4 Auction Exited De-rated Capacity by CMU Category**

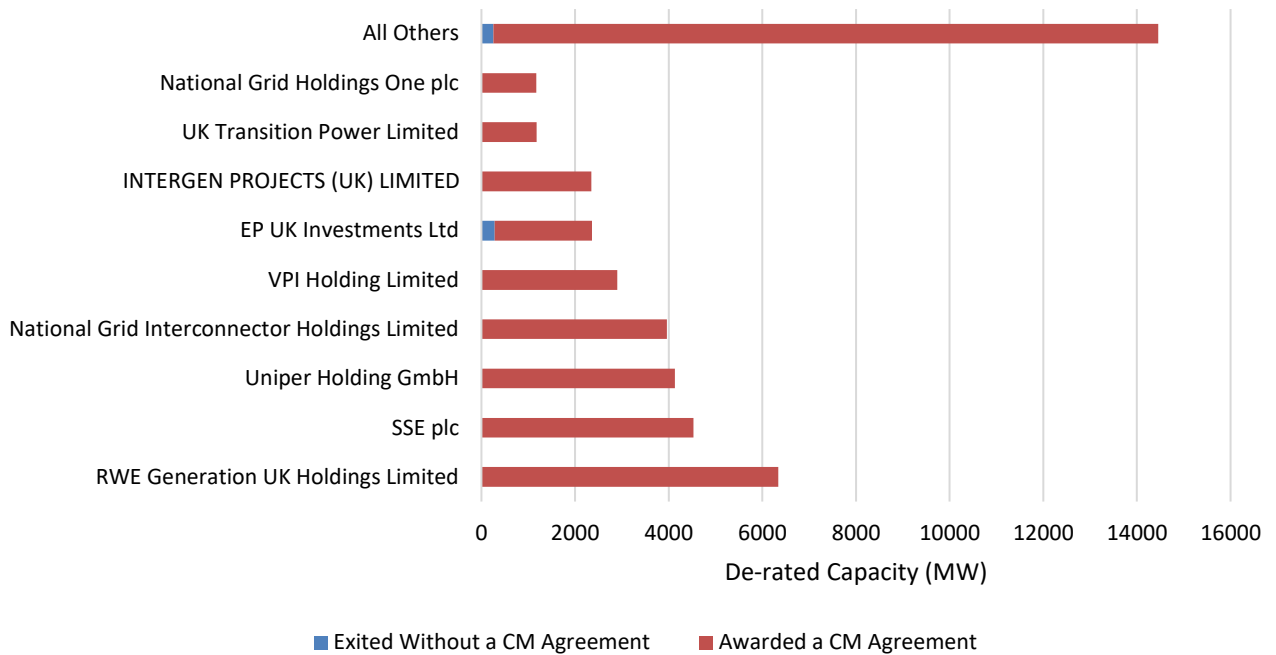


**Results by company**

4.9. Figure 21 illustrates the top 10 companies by total volume of De-rated Capacity entered in the Auction. RWE Generation UK Holdings Limited represented 15% of total volumes offered in the Auction and saw 100% of its offered volumes secure a Capacity Agreement.

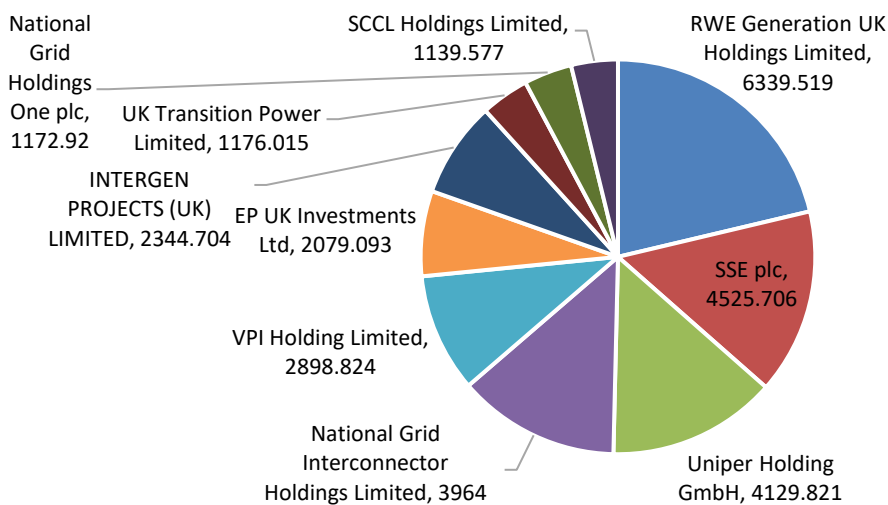
4.10. Out of the top 10 companies, RWE Generation UK Holdings Limited, SSE plc, Uniper Holding GmbH, National Grid Interconnector Holdings Limited, VPI Holding Limited, Intergen Projects (UK) Limited, UK Transition Power Limited and National Grid Holdings One plc gained Capacity Agreements for 100% of their capacity that entered the Auction. Of the Top 10 only EP UK Investments had Capacity that exited the Auction as they had 88% of their capacity gaining agreements.

**Figure 21: 2023/24 T-4 Auction Results of Top 10 Parent Companies by De-rated Capacity**



4.11. Figure 22 below illustrates the top 10 parent companies by largest cleared volumes. RWE Generation Limited represented 15% of total cleared volumes (6.3GW), SSE plc (4.5GW), Uniper Holding GmbH (4.1GW) and National Grid Interconnector Holdings Limited (4.0GW) all accounted for approximately 10% each. The remaining companies each accounted for less than 7% of total cleared volumes.

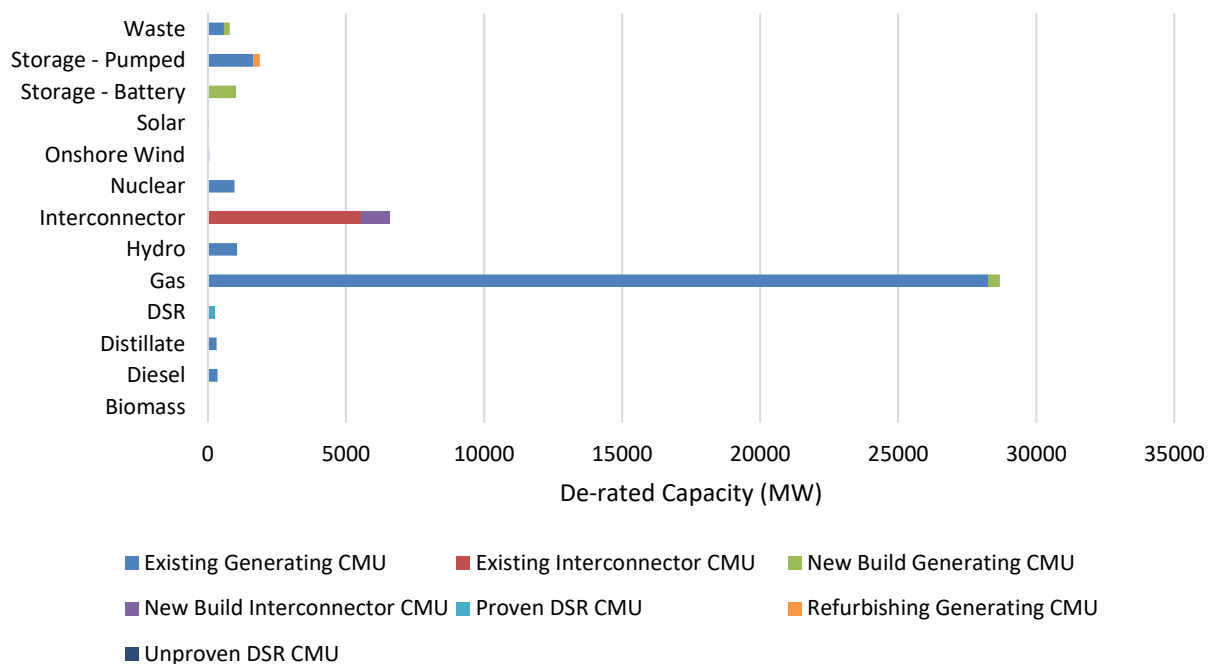
**Figure 22: 2023/24 T-4 Auction Results for Cleared De-rated Capacity by Parent Company**



### Results by fuel and technology type

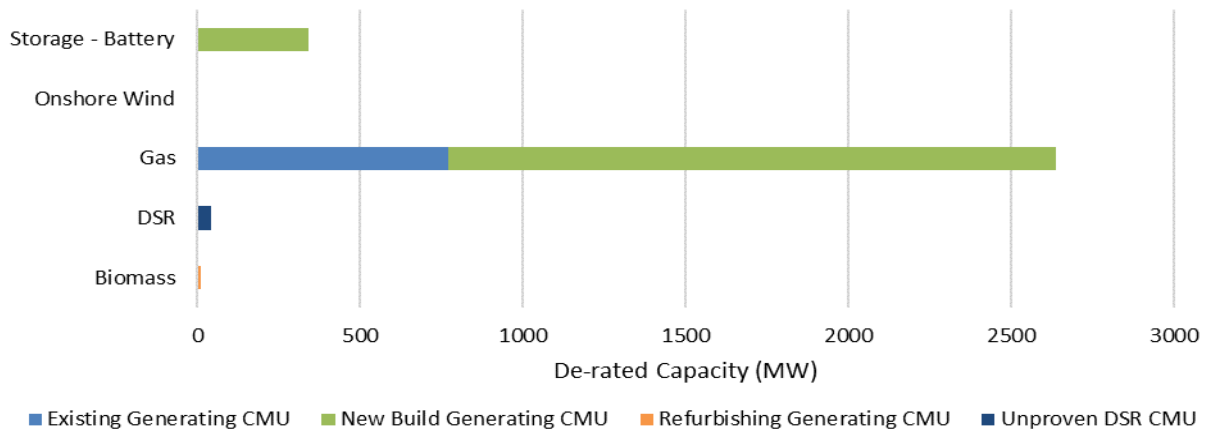
4.12. Figure 23 illustrates that more than half (67%) of the De-rated Capacity acquired through the 2023/24 T-4 Auction was gained by Gas CMUs, totalling 28.7GW. The vast majority (98%) from Existing Gas CMUs. Interconnector Capacity accounted for 15% of cleared volumes totalling 6.6GW. This was followed by Pumped Storage at 1.9GW (4%), DSR at 1.1GW (3%), Hydro at 1.0GW (2%), Battery Storage at 1.0GW (2%), Nuclear at 1.0GW (2%), and Waste at 790MW (2%). The remaining fuel type categories accounted for 1% or less of total De-rated Capacity cleared in the Auction, totalling 739MW.

**Figure 23: 2023/24 T-4 Auction Results for Cleared De-rated Capacity by Primary Fuel Type and CMU Category**



4.13. Figure 24 below focuses on the Capacity that exited the Auction without an agreement. Gas accounted over half of the Capacity exiting the Auction (61.5%), totalling 329MW. Of this 322MW was New Build Gas CMUs (98%), whilst the remaining 7MW was Existing Gas CMUs (2%). Gas was followed by Biomass CMUs at 94MW (17.5%), Battery Storage at 63MW (11.8%), DSR at 48MW (9%), and Solar at 2MW (0.36%).

**Figure 24: 2023/24 T-4 Auction Results for Exited De-rated Capacity by Primary Fuel Type and CMU Category**

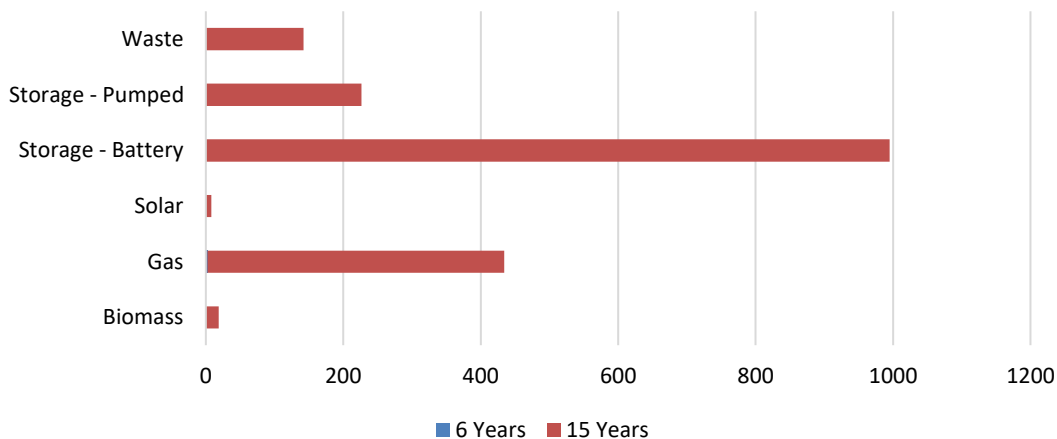


**Length of agreement**

4.14. 96% (41.0W) of the De-rated Capacity that won Capacity Agreements in the 2023/24 T-4 Auction were one-year agreements. The remaining 4% (approximately 1.8GW) were made up of 6 Years (2MW), and 15 years (1.8GW).

4.15. Figure 25 below shows how fuel and technology types contributed to multi-year contracts. The largest being Battery Storage CMUs (1.0GW), with 100% being 15-year contracts. This was followed by Gas CMUs (434MW) where 99% were 15-year contracts. While Pumped Storage (226MW), Waste CMUs (142MW), Biomass CMUs (19MW) and Solar CMUs (8MW) made up the remaining multi-year contracts, all with 15-year contracts.

**Figure 25: 2023/24 T-4 Auction Results by Multi-Year Contracts**



## Auction outcomes for the 2023/24 T-1 Auction (Delivery Year 2024/25)

### Auction parameters: clearing price and volume

- 4.16. The 2023/24 T-1 Auction price cap was £75/kW/year. The price decrement per round was £5/kW/year, resulting in a maximum of 15 rounds for the Auction. The T-1 Auction concluded in the 9<sup>th</sup> Round at a clearing price of £35.79/kW/year.<sup>36</sup>
- 4.17. Of the 9.8GW that prequalified, 9.5GW took part in the Auction with approximately 7.6GW being awarded a Capacity Agreement through the Auction. This is close to the target capacity of 7.7GW and within the target parameters (6.7 to 8.7GW) of the auction.<sup>37, 38</sup>

### Results by CMU category

- 4.18. As demonstrated in Figure 26 below, a significant share of cleared volumes was from Existing Generating CMUs (81%). This was followed by New Build Generating CMUs which shared 9%. The remaining CMU categories each contributed less than 7% of total volumes clearing the 2023/24 T-1 Auction, and each category representing less than 8% of total De-rated Capacity cleared in the Auction.
- 4.19. Existing Generating CMUs offered a total of 7.8GW in the Auction, of this 6.2GW cleared equating to an 79% success rate in obtaining Capacity Agreements. New Build Generating CMUs offered a total of 744MW and saw 92% secure Capacity Agreements (686MW).
- 4.20. Proven and Unproven DSR CMUs accounted for 9% of total volumes offered in the Auction, together clearing 745MW of De-rated Capacity. Proven DSR CMUs saw 100% of its offered volumes clear and Unproven DSR CMUs saw 83% clear.

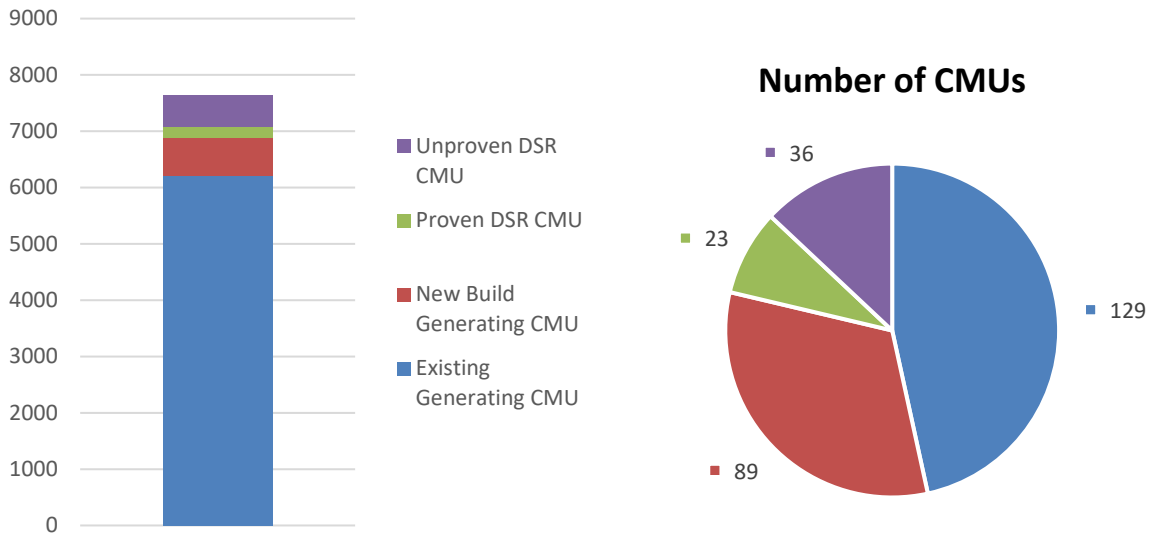
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<sup>36</sup> [T-1 DY 24-25 Final Auction Results Report](#)

<sup>37</sup> [Update to the Capacity Market Auction Parameters 2024, letter from DESNZ to NG ESO, January 2024 \(publishing.service.gov.uk\)](#)

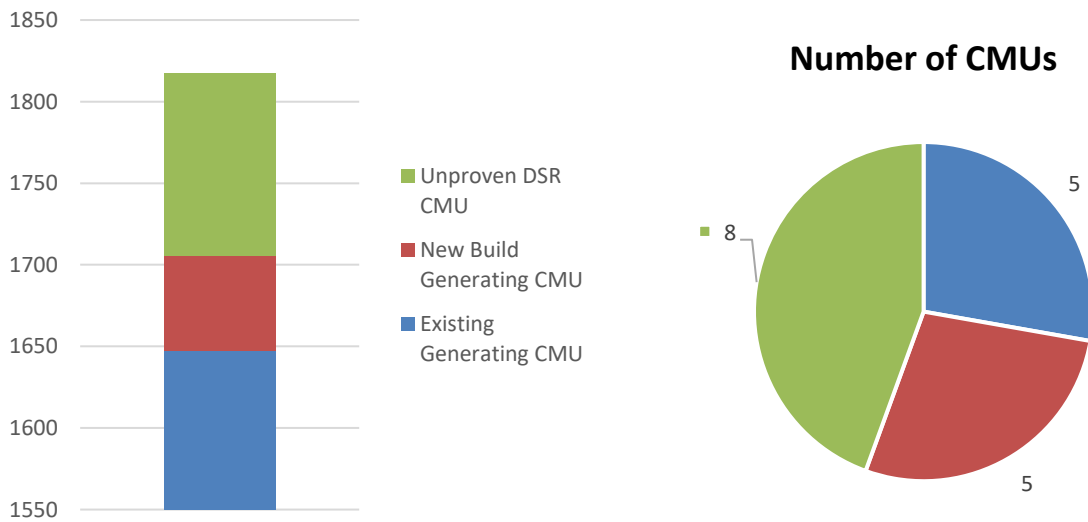
<sup>38</sup> [Final auction parameters, T-1 and T-4 Capacity Market auctions - GOV.UK \(www.gov.uk\)](#)

**Figure 26: 2023/24 T-1 Auction Cleared De-rated Capacity by CMU Category**



4.21. Figure 27 below illustrates the proportion of CMU Capacity failing to secure Capacity Agreements by CMU category. A total of 1.8GW of Capacity did not win Capacity Agreements. 91% of this is attributed to Existing Generating CMUs, 6% to Unproven DSR CMUs and 3% to New Build Generating CMUs.

**Figure 27: 2023/24 T-1 Auction Exited De-rated Capacity by CMU Category**

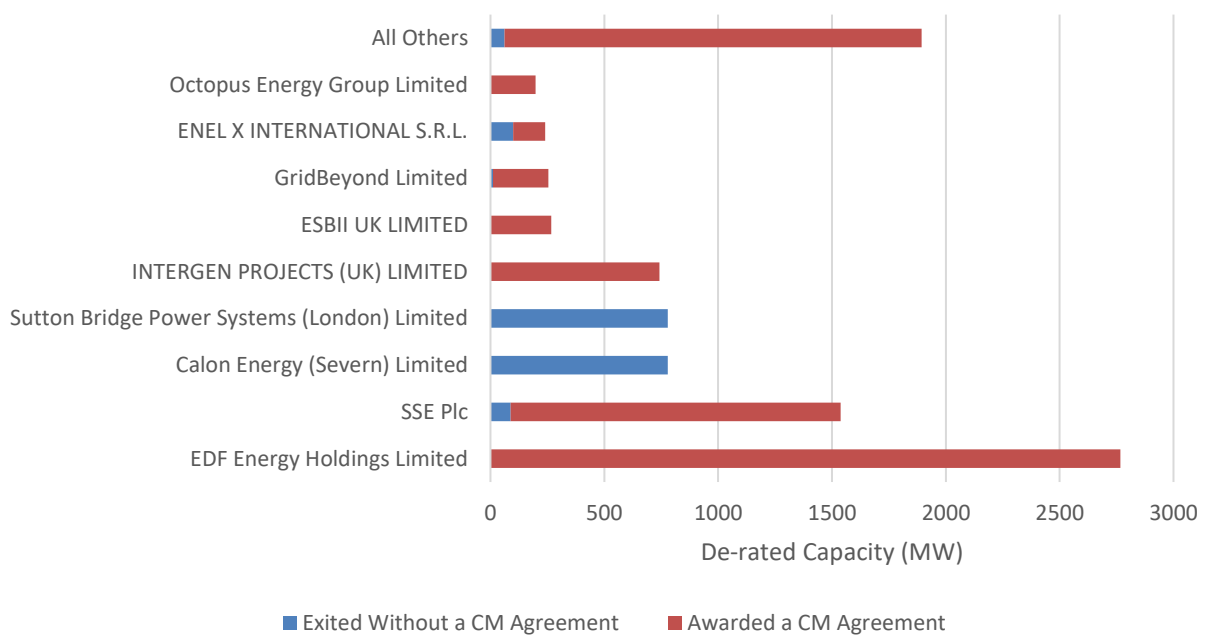




**Results by company**

4.22. Figure 28 below illustrates the top 10 companies by total volume of De-rated Capacity entered in the Auction. EDF Energy Holdings Limited represented 29% of total volumes offered in the Auction and saw 100% of its offered volumes secure a Capacity Agreement.

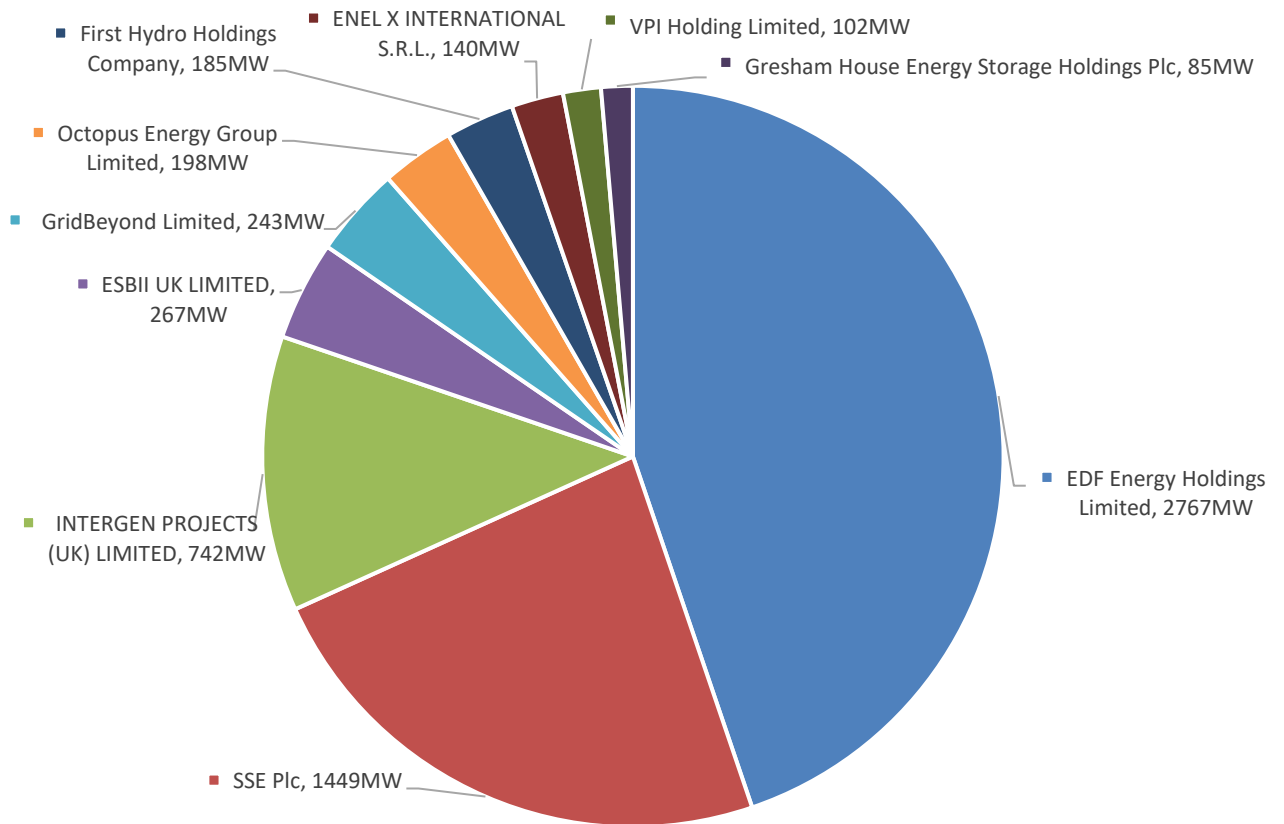
**Figure 28: 2023/24 T-1 Auction Results by Top 10 Parent Companies by De-rated Capacity Entered**



4.23. Out of the top 10 companies, EDF Energy Holdings Limited, INTERGEN PROJECTS (UK) LIMITED, ESBII UK LIMITED and Octopus Energy Group Limited, gained Capacity Agreements for 100% of their capacity that entered the Auction. Half of the Top 10, SSE Plc, Calon Energy (Severn) Limited, Sutton Bridge Power Systems (London) Limited, GridBeyond Limited, ENEL X INTERNATIONAL S.R.L had capacity that exited the Auction, as they had 94%, 0%, 0%, 96% and 58% of their capacity gaining agreements respectively.

4.24. Figure 29 below illustrates the top 10 parent companies by largest cleared volumes. EDF Energy Holdings Limited represented 36% of total cleared volumes (2.8GW), SSE Plc accounted for 19% (1.4GW), INTERGEN PROJECTS (UK) LIMITED, accounted for 10% (742MW). The remaining companies each accounted for less than 4% of total cleared volumes.

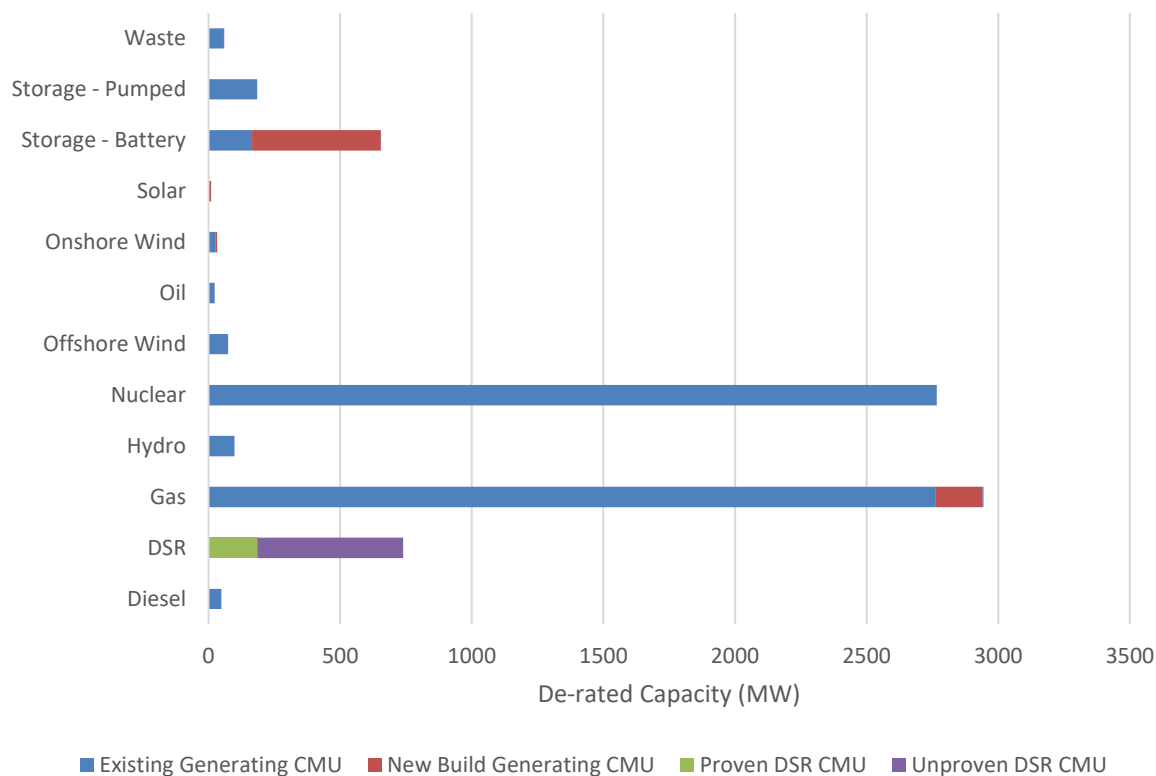
Figure 29: 2023/24 T-1 Auction Results for Cleared De-rated Capacity by Parent Company



**Results by fuel and technology type**

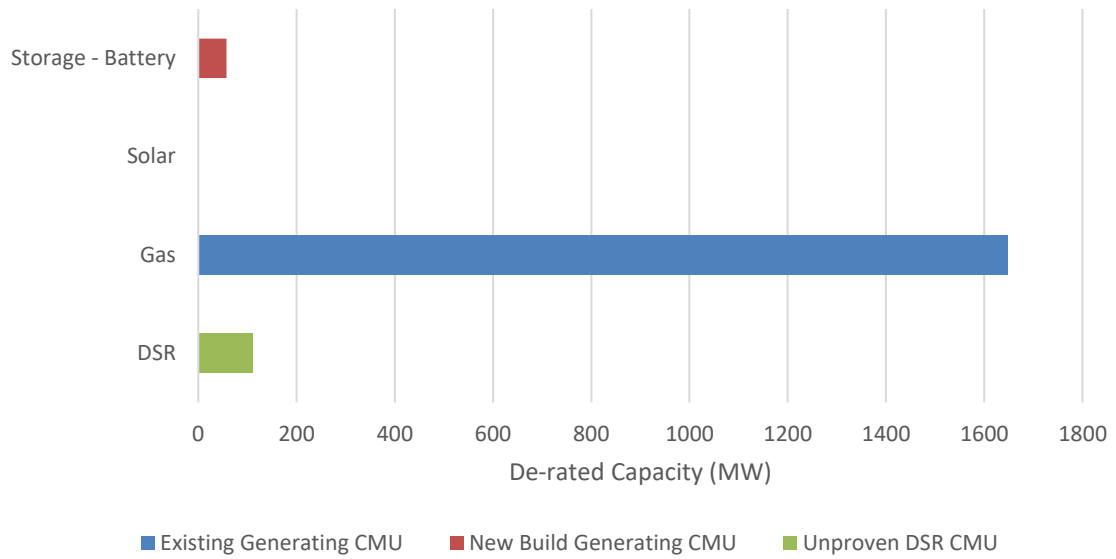
4.26. Figure 30 below illustrates that 39% of the de-rated capacity acquired through the 2023/24 T-1 Auction was gained by Gas CMUs, totalling 2.9GW. The vast majority (94%) from Existing Gas CMUs. Nuclear capacity accounted for 36% of cleared volumes totalling 2.8GW. This was followed by DSR at 740MW (10%), Battery Storage at 655MW (9%) and Pumped Storage at 185MW (2%). The remaining fuel type categories accounted for 1% or less of total de-rated capacity cleared in the auction, totalling 348MW.

**Figure 30: 2023/24 T-1 Auction Results for Cleared De-rated Capacity by Primary Fuel Type and CMU Category**



4.27. Figure 31 below focuses on the capacity that exited the auction without an agreement. Existing Generating Gas CMUs accounted for most of the capacity exiting the auction (91%), totalling 1.6GW. This was followed by Unproven DSR CMUs at 112MW (6%), Battery Storage CMUs at 58MW (3%) and Solar at 1MW (0.03%).

**Figure 31: 2023/24 T-1 Auction Results for Exited De-rated Capacity by Primary Fuel Type and CMU Category**

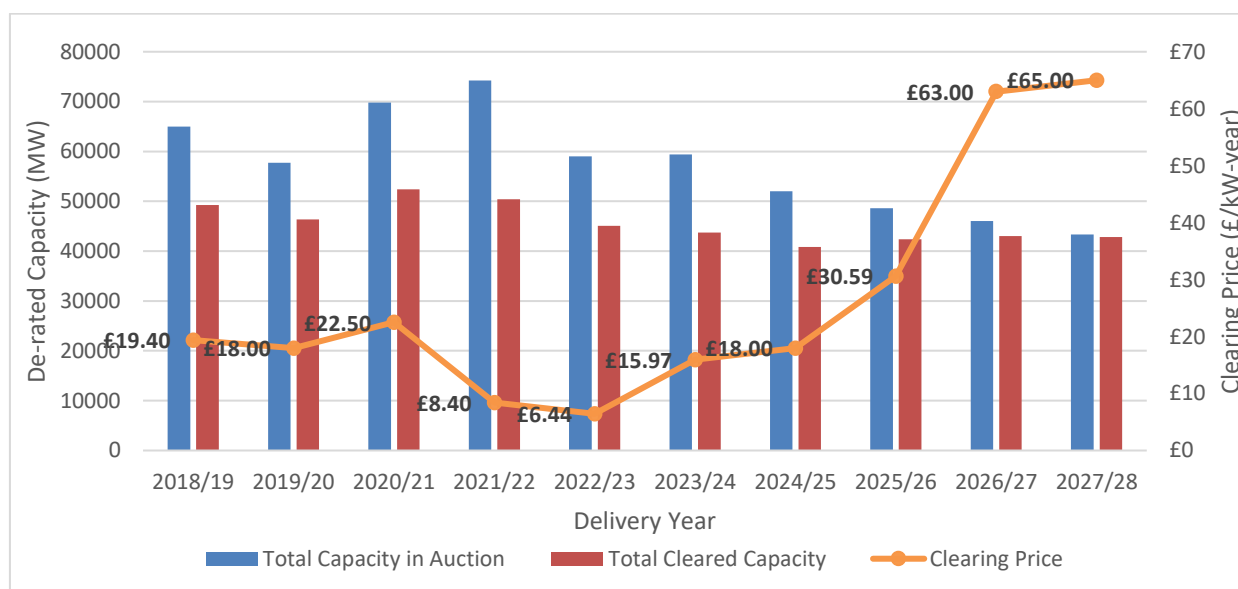


## Further observations

### Price volatility

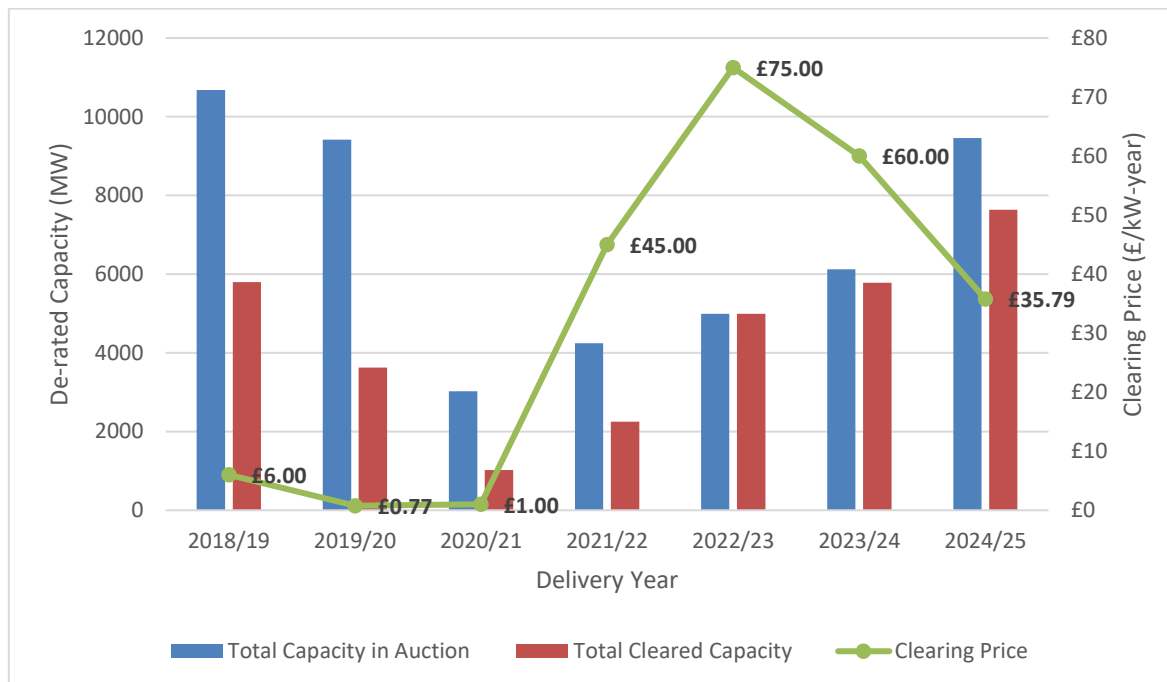
4.28. Figure 32 below shows the correlation between the difference in volume entering the T-4 Auctions and T-3 Auction and clearing volume with the clearing price. It is evident that if the volume entering the auction is much greater than the clearing volume the clearing price is likely to be smaller, as we can see from the T-4 Auction in 2017 (Delivery Year 2021/22). Whilst the opposite is true as the lower liquidity in the T-4 Auction for this year resulted in the highest T-4 clearing price that has been witnessed.

**Figure 32: Historical Overview of T-4 and T-3 Auctions Participation, Clearing Volume and Clearing Price**



4.29. Figure 33 below shows a historical overview of T-1 auctions. Over the first three T-1 Auctions, both the volumes entering and clearing are seen to decrease and the clearing price is comparatively low. In the 2020/21 T-1 Auction (Delivery Year 2021/22), the volumes clearing and the clearing price are seen to increase significantly. For the 2021/22 T-1 Auction (Delivery Year 2022/23) as all capacity entering the auction was cleared, thus the auction cleared at the price cap. In both the 2022/23 T-1 Auction (Delivery Year 2023/24) and the 2023/24 T-1 Auction (Delivery Year 2024/25) liquidity was quite low, but there was enough capacity in the auction for the target. This year’s auction had more liquidity than the two previous years and thus it cleared lower than the previous year.

**Figure 33: Historical Overview of T-1 Auctions Participation, Clearing Volume and Clearing Price**



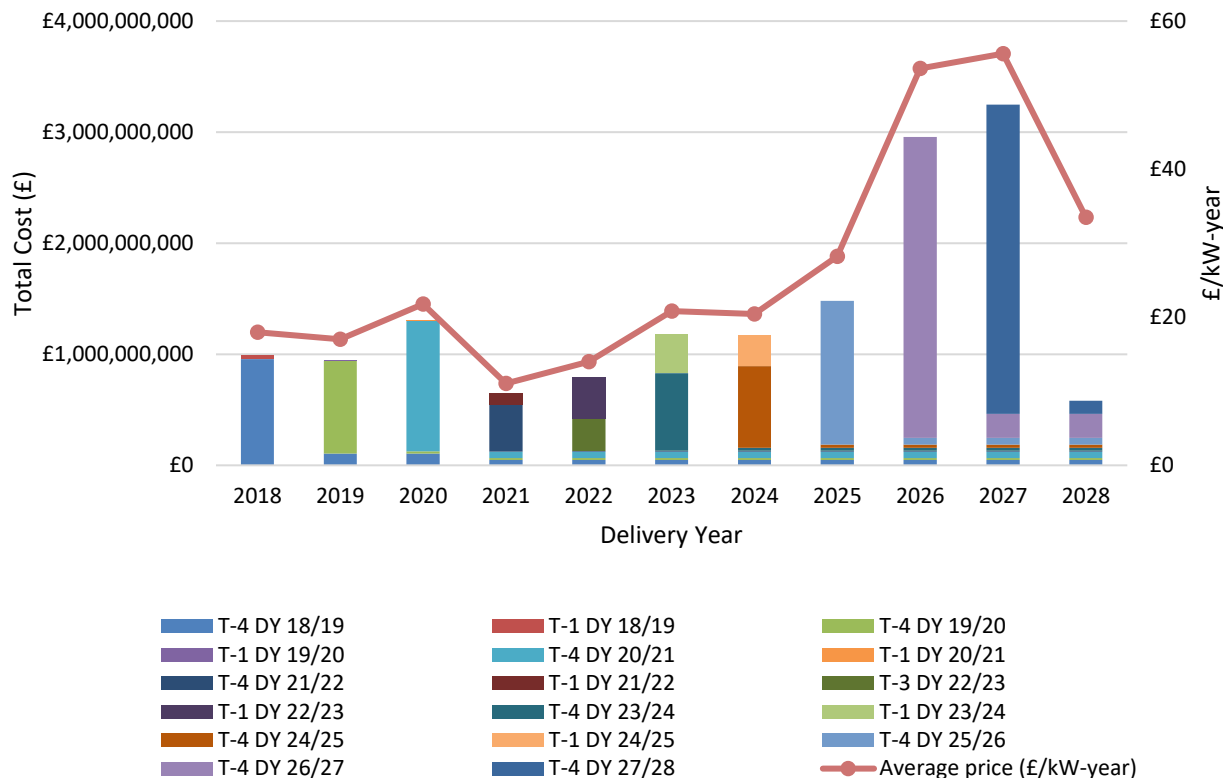
**Total cost from Capacity Market Auctions for Delivery Years 2018/19 to 2027/28**

4.30. Figure 34 below illustrates the total costs from CM Auctions for the Delivery Years 2018/19 to 2027/28 alongside the average price per kilowatt for that year.

4.31. The most expensive Delivery Year since 2018/19 is 2027/28 (£3,247,754,713). This is due to the high clearing price of the T-4 Auction (£65/kW/year) which resulted in a total auction cost of £2,784,003,885. It should also be noted that the T-1 Auction for 2027/28 is still to be run, so the cost of this Delivery Year will increase further.

4.32. The least expensive Delivery Year since 2018/19 was 2021/22 (£649,128,918), when the T-4 Auction secured 50.4GW for £8.4/kW/year. This was a sufficiently low price to offset the much higher £45/kW/year clearing price for the 2.3GW secured in the T-1 Auction.

Figure 34: Total CM Auction Costs for Delivery Years 2018/19 to 2027/28<sup>39</sup>



<sup>39</sup> [2014 Final Auction Results T-4 \(DY 18/19\)](#), [2015 Final Auction Results T-4 \(DY 19/20\)](#), [2016 Final Auction Results T-4 \(DY 20/21\)](#), [2017 Final Auction Results T-4 \(DY 21/22\)](#), [2019 Final Auction Results T-3 \(DY22/23\)](#), [2019 Final Auction Results T-4 \(DY 23/24\)](#), [2020 Final Auction Results T-4 \(DY 24/25\)](#), [2021 Final Auction Results \(DY 25/26\)](#), [2022 Final Auction Results T-4 \(DY 26/27\)](#) [2023 Final Auction Results T-4 \(DY 27/28\)](#) [2017 Final Auction Results T-1 \(DY 18/19\)](#), [2018 Final Auction Results T-1 \(DY 19/20\)](#), [2019 Final Auction Results T-1 \(DY 20/21\)](#), [2020 Final Auction Results T-1 \(DY 21/22\)](#), [2021 Final Auction Results T-1 \(DY 22/23\)](#), [2022 Final Auction Results T-1 \(DY 23/24\)](#) [2023 Final Auction Results T-1 \(DY 24/25\)](#)

## 5. Bidding behaviour

5.1. This section provides an overview of the bidding behaviour of participants in the 2023/24 T-4 and 2023/24 T-1 Auction.

### Background

5.2. During auction rounds, CMUs can submit an Exit Bid, which indicates the minimum price they are willing to be paid for their capacity. If the auction price drops below that exit bid, the CMU will exit the auction and their capacity will be subtracted from the remaining capacity. CMUs that do not place an Exit Bid remain in the Auction and are awarded an agreement at the market clearing price.

### Capacity Auction bidding rules

5.3. In each round, Auction participants can submit the following bids:

- **Exit Bid** – all CMUs have the option to specify the price at which they exit the Auction.<sup>40</sup>
- **Proxy Exit Bid** – CMUs have the ability to submit Proxy Exit Bids at or below the Price Taker Threshold at any point during the Auction. Submitted Proxy Exit Bids become active & take effect in a later round.<sup>41</sup>
- **Duration Bid** – specifies the duration of the Capacity Agreement that a Bidder requires at any particular price.
- **Duration Bid Amendment (DBA)** – New Build and Refurbishing CMUs that qualify for longer agreements can specify the price at which they want to reduce the length of their agreement, in the event the price falls below a particular level.

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<sup>40</sup> Participants may amend or delete any Exit Bids or Duration Bid Amendments that have not yet been realised.  
[Capacity Auction User Guide](#)

<sup>41</sup> [Capacity Auction User Guide](#)



- **Continue as Pre-refurbishing** – Refurbishing CMUs can specify a price to switch to an Existing contract (and as a result only receive a one-year agreement).

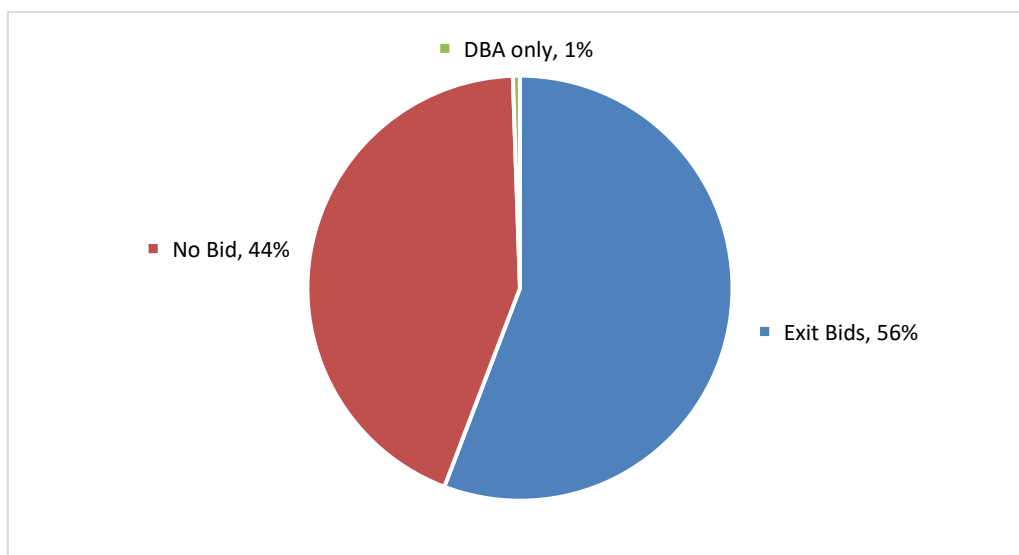
### Our monitoring

5.4. Ofgem monitors bidding patterns and behaviour following the CM Auctions in keeping with our regulatory and competition law functions. Ofgem checks to ensure parties have complied with relevant legislation and identify potential changes that may be required to be made to the CM Rules.

## Summary of bidding behaviour in 2023/24 T-4 Auction (Delivery Year 2027/28)

5.5. Figure 35 below illustrates that 56% of participants submitted Exit Bids into the T-4 CM Auction, and that approximately 44% were CMUs that did not submit an Exit Bid ('No Bidders'). The strategy of not bidding requires that CMUs remain in the T-4 Auction and receive the Capacity Market Auction clearing price, entitling them to a Capacity Agreement.<sup>42</sup>

Figure 35: Bidding Approaches for CMUs in the 2023/24 T-4 Auction

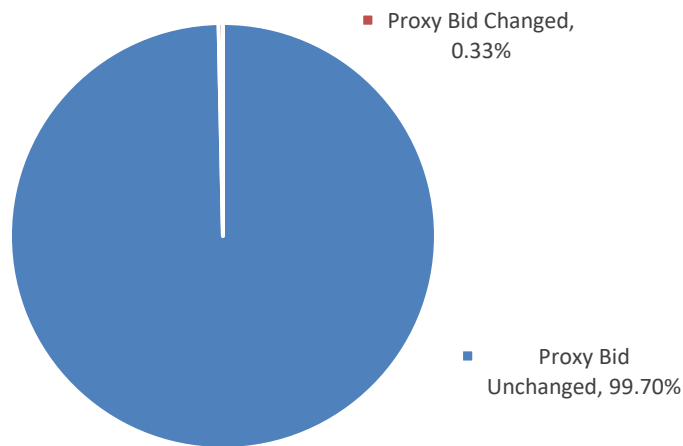


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<sup>42</sup> Data provided by the Delivery Body on 15 March 2024

5.6. The 56% of participants submitting Exit Bids includes CMUs submitting proxy and non-proxy Exit Bids. Figure 36 illustrates Proxy and Non-Proxy Exit Bid price changes by CMUs over the auction period by comparing the first and last Proxy Exit Bid price. Of CMUs entering Proxy Exit Bids, 99.7% left theirs unchanged and 0.33% changed their Proxy Exit Bid price.<sup>43</sup>

**Figure 36: Proxy Exit Bid Price Changes by CMUs in the 2023/24 T-4 Auction**



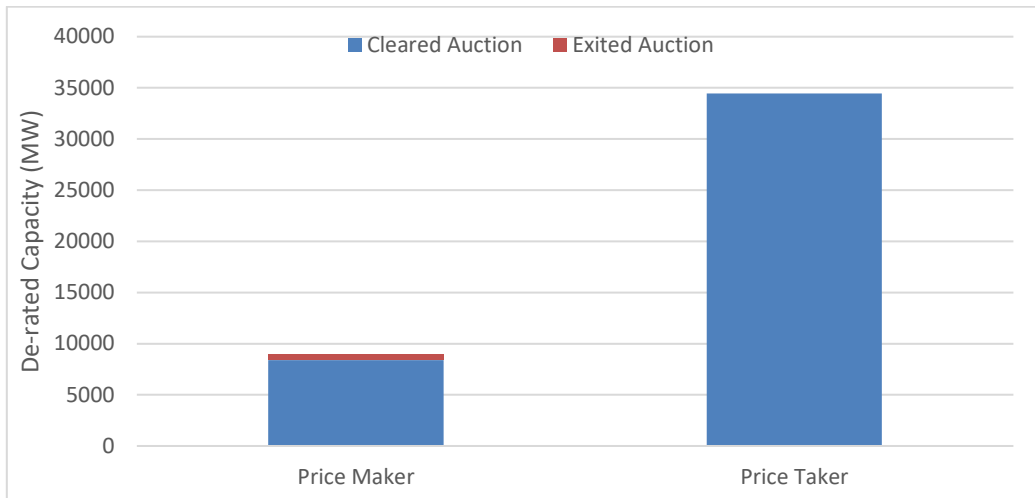
5.7. Price Makers accounted for 20% of total submitted Capacity in the 2023/24 T-4 Auction, totalling approximately 8.7GW of De-rated Capacity. As illustrated in Figure 37 below, 536MW of capacity exited the Auction, all of which were Price Maker CMUs. Price Takers accounted for 80% of total submitted Capacity offered in the Auction, totalling 34.7GW. As the clearing price was above the £25/kW/year Price Taker threshold, all Price Taker CMUs cleared the auction.<sup>44</sup>

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<sup>43</sup> Data provided by the Delivery Body on 15 March 2024

<sup>44</sup> Data provided by the Delivery Body on 15 March 2024

**Figure 37: Cleared and Exited Capacity by Price Makers and Price Takers in the 2023/24 T-4 Auction**

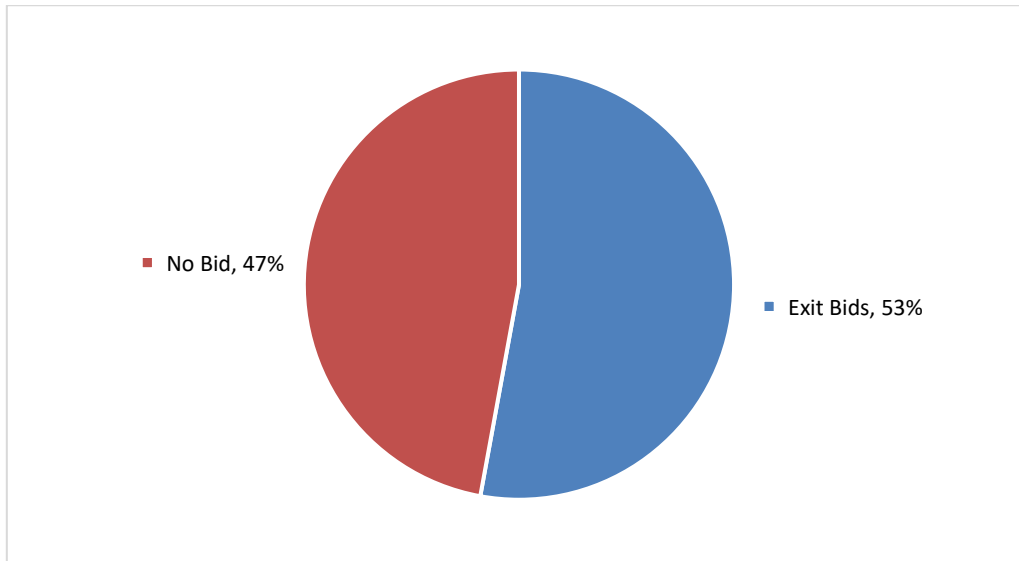


### Summary of bidding behaviour in 2023/24 T-1 Auction (Delivery Year 2024/25)

5.8. Figure 38 below illustrates that 53% of participants submitted Exit Bids into the T-1 CM Auction, and approximately 47% were CMUs that did not submit an Exit Bid ('No Bidders'). Participants who do not submit exit bids remain in the T-1 Auction and receive the Auction clearing price., entitling them to a Capacity Agreement.<sup>45</sup>

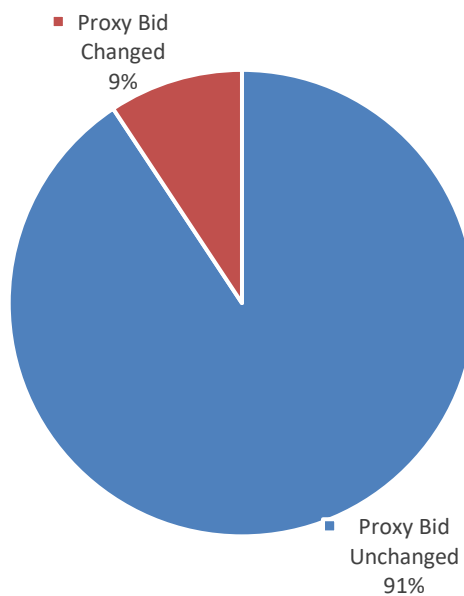
<sup>45</sup> Data provided by the Delivery Body on 15 March 2024

**Figure 38: Bidding Approaches for CMUs in the 2023/24 T-1 Auction**



5.9. This 53% includes CMUs submitting proxy and non-proxy Exit Bids. Figure 39 illustrates Proxy and Non-Proxy Exit Bid price changes by CMUs over the auction period, comparing the first and last Proxy Exit Bid price. For CMUs entering Proxy Exit Bids, 91% left theirs unchanged and 9% changed their Proxy Exit Bid price.<sup>46</sup>

**Figure 39: Proxy Exit Bids Price Changes by CMUs in the 2023/24 T-1 Auction**



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<sup>46</sup> Data provided by the Delivery Body on 15 March 2024

5.10. Price Makers accounted for 35% of total submitted Capacity in the 2023/24 T-1 Auction, totalling approximately 3.3GW of de-rated capacity. As illustrated in Figure 40 below, 1.8GW of Capacity exited the Auction all of which were Price Maker CMUs. Price Takers accounted for 65% of total submitted Capacity offered in the Auction, totalling 6.2GW. Every CMU that was a Price Taker cleared due to the clearing price being above £25/kW/year.<sup>47</sup>

**Figure 40: Cleared and Exited Capacity by Price Makers and Price Takers in the 2023/24 T-1 Auction**



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<sup>47</sup> Data provided by the Delivery Body on 15 March 2024

## 6. Delivery milestones

6.1. This section provides a summary of how CMUs with active Capacity Agreements are meeting their milestones, including investment, construction and testing. New Build CMUs are required to meet financial and construction milestones to participate in the relevant Delivery Year.

### Delivery milestones for Auctions 2018-2024

6.2. Successful New Build Generating, Refurbishing and New Build Interconnector CMUs (i.e. Prospective CMUs) must meet a number of pre-Delivery Year milestones.

6.3. New Build CMUs are required to achieve the Financial Commitment Milestone (FCM) and Substantial Completion Milestone (SCM) by deadlines specified in the CM Rules.<sup>48, 49</sup> A failure to do so can result in a loss of CM payments, and/or a termination of their CM agreement.<sup>50</sup>

**Table 11: Successful New Build Capacity/CMUs, Auction milestones achieved, and all terminated De-rated Capacity to date**

Auction	Successful New Build and Post Refurbished Capacity (GW)	Successful New Build and Post Refurbished CMUs	Capacity met FCM	Capacity met SCM	Total Terminated Capacity (GW)	Total Terminated CMUs
2022/23 T-1 (DY2023/24)	0.729	85	98.8%	88%	0.024	3
2023/24 T-1 (DY2024/25)	0.686	89	35.9%	0%	N/A	N/A
2019/20 T-4 (DY 2023/24)	5.924	101	73.5%	71%	0.904	83
2020/21 T-4	5.904	83	88.6%	67%	0.040	8

<sup>48</sup> Financial Commitment Milestone is a requirement on the Capacity Provider to demonstrate that 10% of total project spend for that CMUs has been incurred.

<sup>49</sup> Minimum Completion Requirement obligates the Capacity Provider to have an aggregate physical generating de-rated capacity exceeding 50% of its Capacity Obligation. The Substantial Completion Milestone requires the CMU to demonstrate an aggregate physical generating de-rated capacity equal or exceeding 90% of its Capacity Obligation. A failure to achieve these milestones by a specified date may result in a loss of CM payments, or a termination of the Capacity Obligation.

<sup>50</sup> Progress towards meeting these milestones is monitored by a requirement on the Prospective Capacity Provider to submit construction reports to the Delivery Body until the SCM is achieved.

(DY 2024/25)						
2021/22 T-4 (DY 2025/26)	4.654	127	55.3%	41.8%	0.248	11
2022/23 T-4 (DY 2026/27)	4.493	167	37.3%	43.3%	N/A	N/A
2023/24 T4 DY2027/28	4.549	145	8.3%	0%	0.762	1

**Milestones by auction overview**

- 6.4. For the 2022 T-1 Auction, 98.8% of New Build and Refurbishing Capacity have met the FCM and 88% have met the SCM.<sup>51</sup> 3 CMUs have been terminated to date totalling 24MW of de-rated capacity. All 3 terminated CMUs were New Build CMUs.<sup>52</sup>
- 6.5. For the 2023 T-1 Auction, 35.9% of New Build and Refurbishing Capacity have met the FCM and 0% have met the SCM.<sup>53</sup> No CMUs have been terminated to date.<sup>54</sup>
- 6.6. For the 2019 T-4 Auction, 73.5% of New Build and Refurbishing Capacity have met the FCM and 71% have met the SCM.<sup>55</sup> 83 CMUs have been terminated to date which totals 905MW. 15 of these were New Build CMUs which made up 145MW of terminated de-rated capacity.<sup>56</sup>
- 6.7. For the 2020 T-4 Auction, approximately 88.6% of New Build and Refurbishing Capacity have met the FCM and approximately 67% have met the SCM.<sup>57</sup> 8 CMUs have been terminated to date which totals 40MW. 5 of these were from New Build CMUs which made up 26MW of the de-rated capacity that was terminated.<sup>58</sup>
- 6.8. For the 2021 T-4 Auction, approximately 55.3% of New Build and Refurbishing Capacity have met the FCM and 41.8% have met the SCM.<sup>59</sup> 11 CMUs have been

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<sup>51</sup> Data provided by the Delivery Body on 15 March 2024  
<sup>52</sup> CMR 2022 T-1 Auction data (published 3 July 2024).  
<sup>53</sup> Data provided by the Delivery Body on 15 March 2024  
<sup>54</sup> CMR 2023 T-1 Auction data (published 3 July 2024)  
<sup>55</sup> Data provided by the Delivery Body on 15 March 2024  
<sup>56</sup> CMR 2019 T-4 Auction data (published 3 July 2024).  
<sup>57</sup> Data provided by the Delivery Body on 15 March 2024  
<sup>58</sup> CMR 2020 T-4 Auction data (published 3 July 2024)  
<sup>59</sup> Data provided by the Delivery Body on 15 March 2024

terminated to date which totals 248MW. 10 of these were from New Build CMUs which made up 237MW of the de-rated capacity that was terminated.<sup>60</sup>

6.9. For the 2022 T-4 Auction, approximately 37.3% of New Build and Refurbishing Capacity have met the FCM and 43.3% have met the SCM.<sup>61</sup> No CMUs have been terminated to date.<sup>62</sup>

6.10. For the 2023 T-4 Auction, approximately 8.3% of New Build and Refurbishing Capacity have met the FCM and 0% have met the SCM.<sup>63</sup> 1 New Build CMU has been terminated to date, with 762MW of de-rated capacity.<sup>64</sup>

## Metering assessment

6.11. Prior to or after Prequalification, a CMU must complete a Metering Assessment questionnaire. The questionnaire will determine if the CMU is subject to a Meter Test, which are conducted by EMR Settlement Limited (EMRS) and grant a Meter Test Certificate if the CMU demonstrates it has successfully met its obligation.<sup>65, 66</sup>

6.12. Table 12 below shows the number of CMUs that have submitted their Metering Assessment and those with outstanding requirements. The outstanding CMUs are subject to different deadlines depending on the CMU categorisation they are given at Prequalification.<sup>67</sup> All CMUs have the option to defer the Metering Assessment at Prequalification and, if required, the obligation to provide a Meter Test Certificate. Failing to meet the deadline or complete the questionnaire results in termination.<sup>68</sup>

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<sup>60</sup> CMR 2021 T-4 Auction data (published 3 July 2024)

<sup>61</sup> Data provided by the Delivery Body on 15 March 2024

<sup>62</sup> CMR 2022 T-4 Auction data (published 3 July 2024)

<sup>63</sup> Data provided by the Delivery Body on 15 March 2024

<sup>64</sup> CMR 2023 T-4 Auction data (published 3 July 2024)

<sup>65</sup> Acting on behalf of the Electricity Settlements Company (the CM Settlement Body)

<sup>66</sup> [CM rules](#) - 13.3.6

<sup>67</sup> [CM rules](#) - 3.6.4, 3.10, 8.3

<sup>68</sup> [CM rules](#) - 6.10



**Table 12: Metering assessment outcomes for Delivery Years 2023/24 to 2027/28<sup>69</sup>**

<b>Auction</b>	<b>Metering Assessment Submitted (No of CMUs)</b>	<b>Outstanding Metering Assessment (No of CMUs)</b>
2019/20 T-4 (DY 2023/24)	405	32
2022/23 T-1 (DY 2023/24)	204	57
2020/21 T-4 (DY 2024/25)	350	130
2023/24 T-1 (DY 2024/25)	146	121
2021/22 T-4 (DY 2025/26)	358	185
2022/23 T-4 (DY 2026/27)	232	204
2023/24 T-4 (DY 2027/28)	323	213

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<sup>69</sup> Data received from the Delivery Body on 15 March 2024

## 7. Delivery Year performance

- 7.1. This section provides a progress report on Delivery Year performance for the 2023/24 Delivery Year. Specifically, it covers the Satisfactory Performance Days (“SPD”), which are days within the delivery year on which capacity providers must demonstrate that they can deliver their capacity obligation. It covers the 2014/15 T-4, 2015/16 T-4, 2016/17 T-4, 2021/22 T4, 2022/23 T-3, 2023/24 T-4 and 2023/24 T-1 Auctions for Delivery Year 2023/24.

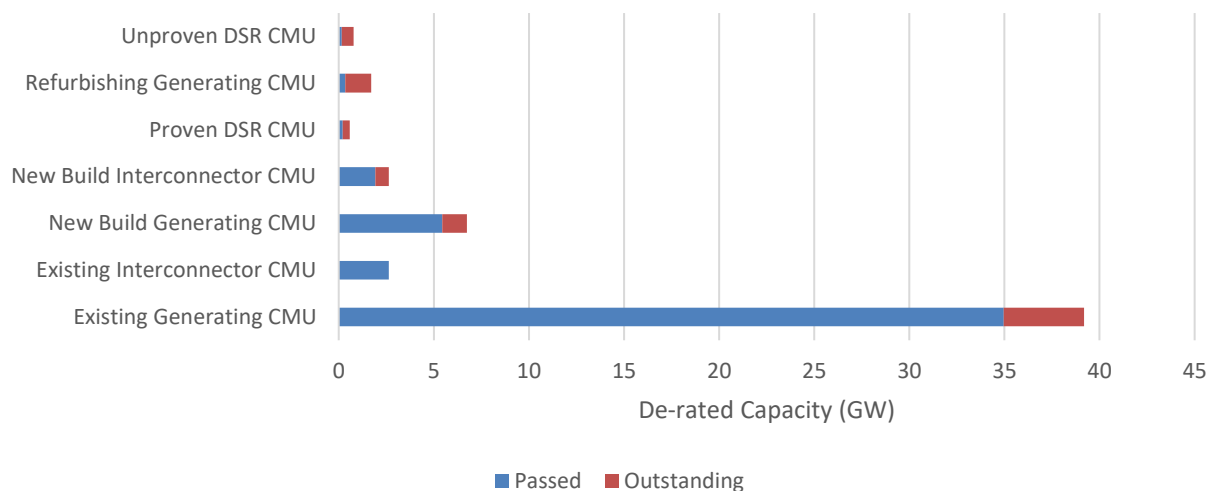
### Satisfactory performance days

- 7.2. Capacity Providers are obligated to meet capacity obligations as set in their Capacity Agreement Notice (CAN).
- 7.3. As of 15 March 2024, approximately 37% of CMUs (8.6GW) with Capacity Agreements had an outstanding requirement to meet the SPD criteria for Delivery Year 2023/24 (Figure 41 below). The deadline for these units to pass the SPD criteria was 31/07/2024. Existing Generating CMUs (4.2GW) make up 49% of the total de-rated capacity that are still to meet the SPD criteria, followed by Refurbishing Generating CMUs at 16% (1.4GW), New Build Generating CMUs at 15% (1.3GW), New Build Interconnector CMUs at 8% (715MW), Unproven DSR CMUs at 7% (621MW) and Proven DSR CMUs at 4% (365MW). Existing Interconnector CMUs have passed their SPDs for Delivery Year 2023/24. In total, 84% of de-rated capacity have so far passed the SPD criteria.<sup>70</sup>

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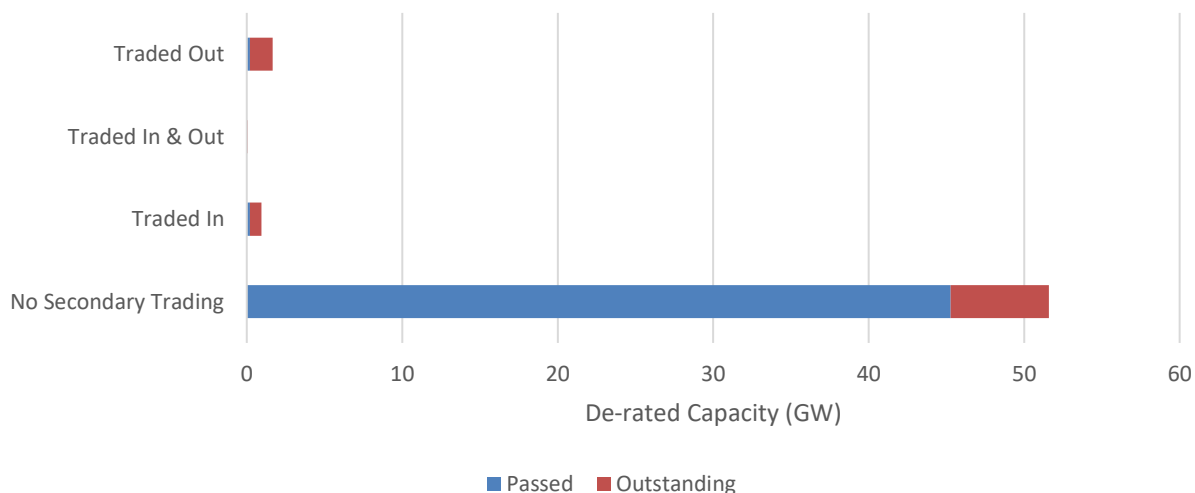
<sup>70</sup> Data provided by the Delivery Body to Ofgem on 15 March 2024

**Figure 41: Satisfactory Performance Days by CMU Category for the Delivery Year 2023/24 Not Including Secondary Trading (as of 15 March 2024)**



7.4. Figure 42 shows the view of de-rated capacity that has passed the SPD criteria as of 15 March 2024 and if it has taken part in Secondary Trading.<sup>71</sup> 95% of De-rated Capacity (51.6GW) for this Delivery Year have not taken part in Secondary Trading, 2% of De-rated Capacity (951MW) have traded in, 3% of De-rated Capacity (1.7GW) have traded out and less than 1% of De-rated Capacity (61MW) have traded in and out.<sup>72</sup>

**Figure 42: Satisfactory Performance Days for the Delivery Year 2023/24 for Transferee’s in Secondary Trading (as of 15 March 2024)**



<sup>71</sup> Secondary Trading; as per CM Rule 9.2.4 (a), a Capacity Provider may transfer all or part of a Capacity Agreement for a Capacity Committed CMU (the “CMU Transferor”) for all or a specified number of calendar days in a Delivery Year to an Acceptable Transferee in respect of another CMU (the “CMU Transferee”).

<sup>72</sup> Data provided by the Delivery Body to Ofgem on 15 March 2024

## 8. Next steps

8.1. Ofgem will continue to play a key role in the CM, which includes:

- Responsibility for the CM Rules (the Rules)
- Oversight and enforcement powers over how the Delivery Body, suppliers and generators are complying with the Regulations and the Rules
- Determine disputes where participants disagree with a decision made by the Delivery Body
- Report on the effectiveness of the CM generally and on the Delivery Body's performance

8.2. The Capacity Market Advisory Group (CMAG) was established and launched in October 2022, bringing together Delivery Partners and representatives of the Capacity Market, with Elexon acting as the Secretariat. There have been twenty-three meetings to date discussing a range of potential Change Proposals, details of which can be found on Elexon's CMAG webpage.<sup>73</sup>

8.3. We published our Decision on CM Rule change proposals CP368, CP369 and CP373 on 14 June 2024.<sup>74</sup> We are currently preparing a Statutory Consultation (expected in Autumn 2024) on Change Proposals currently with Ofgem for decision.

8.4. In addition, following our consultation on the Ten-Year Review of the Capacity Market Rules (the "Ten-Year Review"), our Ten-Year Review will be published later this year.

8.5. If anyone has any feedback on the contents or structure of this report, please contact Ofgem at the following address: [EMR\\_CMRules@ofgem.gov.uk](mailto:EMR_CMRules@ofgem.gov.uk)

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<sup>73</sup> [Homepage - Elexon CMAG](#)

<sup>74</sup> [Decision on Capacity Market Rule change proposals CP368, CP369 and CP373 | Ofgem](#)