



Department for
Business, Energy
& Industrial Strategy

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Dear Mr Lee,

Thank you for your email of 3 December, about energy shortage.

The UK power supply is not threatened by increased use of renewable generation. The measures we have taken mean that homes and businesses will continue to have the secure supplies of energy they need throughout the coming winter and all year round as we upgrade our energy infrastructure for the 21st century.

National Grid have assumed a total maximum technical capacity of 73.7 GW of generation on the transmission network.

National Grid's Winter analysis for 2016/17 is based on a de-rated generation capacity of 55 GW. The capacity margin assumes an average cold spell (ACS) peak demand of 52.7 GW and net interconnector imports of 2.0 GW.

- 19% from nuclear
- 22% from coal
- 30% from gas
- 24.6% from renewables

The Capacity Market secures electricity capacity, mainly power plant and demand side response, through competitive auctions. Targets for the auction are set to ensure there is enough capacity available to meet peak electricity demand.

Electricity providers then bid into a capacity auction, promising if they win a contract that they will be available to provide electricity when needed. In return, they will receive a steady payment on top of the electricity that they sell.

The auction is managed by the Delivery Body (National Grid) and conducted via a web-based auction system.

The Capacity Market enables us to buy capacity in advance for use from 2017/18 and is the most cost effective way to guarantee that we have the full range of electricity infrastructure available to cope with unexpected peaks in demand. It works by giving all capacity providers a predictable payment to ensure overall that there is enough capacity in place to meet demand. Capacity providers will face penalties if they fail to deliver energy when the system is stressed.

The four year ahead “T-4” auction will secure the capacity needed on the system in 2020/21. In summer we announced a provisional total capacity requirement for 2020/21 of 52.6GW, of which 52GW would be purchased in the T4 auction itself (and the remaining 0.6GW procured in a top up “T-1” auction in 2019). Now that prequalification information is available, final targets and other auction parameters will be confirmed shortly.

Yours sincerely

V Dias
BEIS MINISTERIAL CORRESPONDENCE UNIT