

The UK Capacity Market: state of play and observations

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Capacity: be careful what you ask for ...



Fixed, system-wide auctioned payments for firm capacity
 Lots of bids, low prices, new options, lots of angst ...

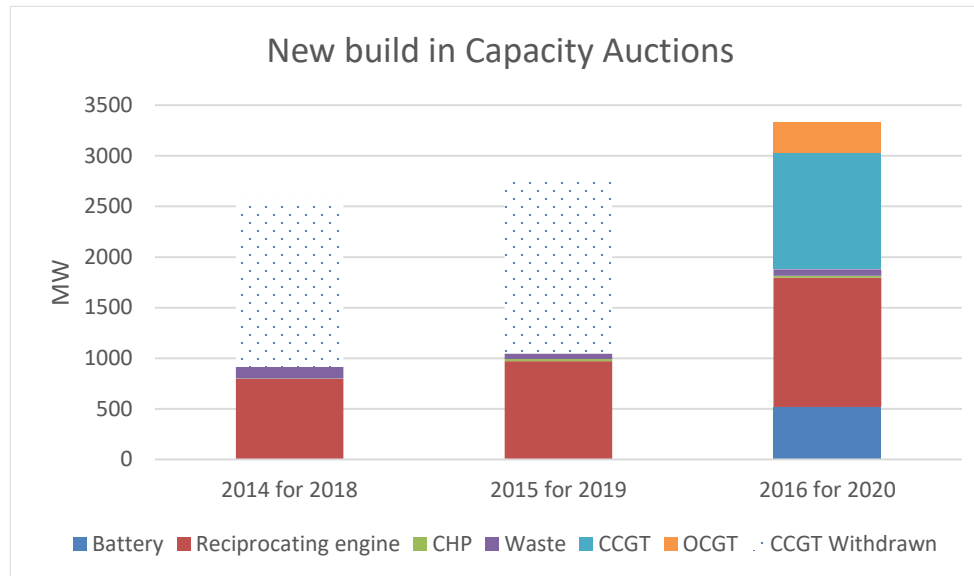


First main capacity auction (Dec 2014)

Almost 50GW awarded, clearing price **19.40/kW/year***
 Mix of 1-year, 3-year (refurbishment) and 15 year (2.5GW of new build out of 10GW bid) contracts
 Mainly existing nuclear, gas and coal generators
 One new big gas plant wins agreement – but cancelled
 V. Little demand side response

Second main capacity auction (Dec 2015)

Clearing price **£18.00/kW/year**
 46.35GW awarded – new options replace retiring coal
 Interconnectors, 1GW of small reciprocating engine
 Concern about diesel



Third main capacity auction (Dec 2016)

Clearing price **£22.50/kW/year**
 52.43GW awarded, inc 3.4 GW new capacity – over 500MW batteries
 New diesel largely excluded, but wider concern about 'embedded benefit' exemptions from transmission

Jan 2018: Reformed system yields even lower price - £8/kW/yr



Future system could involve multiple markets
(- *with managed competition between them?*)

