The UK Capacity Market: state of play and observations

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Accompanying Remarks to
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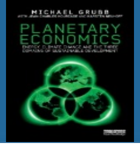
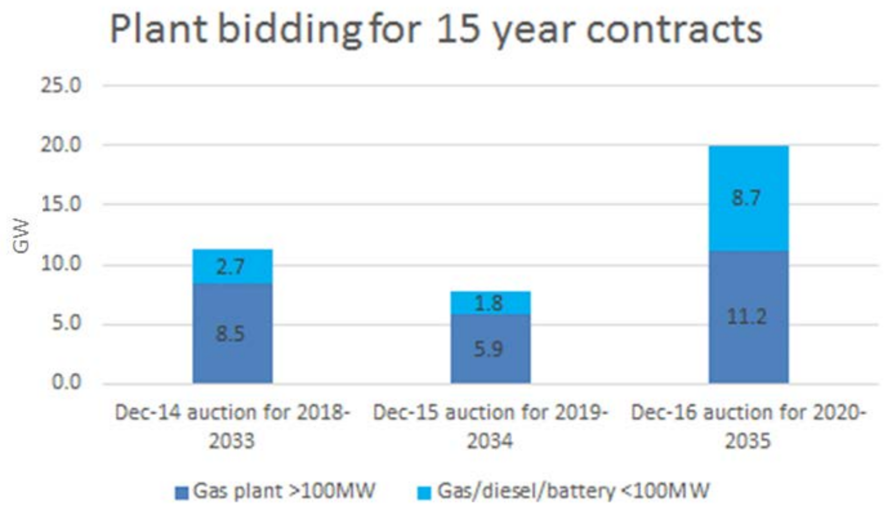
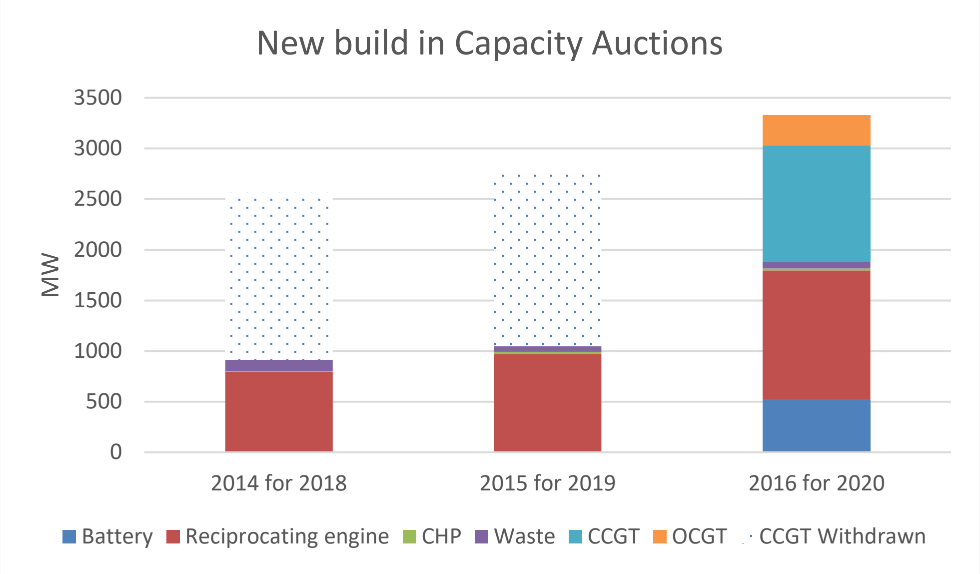
Capacity: be careful what you ask for …



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

Source: Grubb M. and D.Newbery (2018), UK Electricity Market Reform and the Energy Transition: Emerging Lessons, *Energy Journal*, V 39, No.6

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