



# Capacity to contract & Role of Year Ahead Auction, Demand Curve, Role of CONE



## Reliability standard and the demand curve – deciding how much to buy

- Reliability standard set by Ministers in 2013 EMR Delivery Plan – e.g. 5 hours LOLE
- This standard is set with reference to an assumed cost of capacity
- EMR delivery plan will also set out the methodology for producing a demand curve
- Each year, Ministerial preferences are translated into an amount of capacity needed and a target amount set. This will be done by the SO through the EMR delivery plan process.
- The target amount of capacity will be expressed through a demand curve in order to trade off the optimum amount of capacity against the cost to consumers.
- Ministers will set the final demand curve to be used in the auction.



## Setting the target amount of capacity in each auction

**Set total  
capacity  
needed**

Total predicted  
demand



Non-CM  
capacity



Total capacity  
needed in CM

**Set target  
for T-4**

Total capacity  
needed in CM



Predicted cost  
effective DSR



Target amount  
in T-4 auction

**Set target  
for T-1**

UPDATED  
total predicted  
demand



Capacity  
secured in T-4  
auction



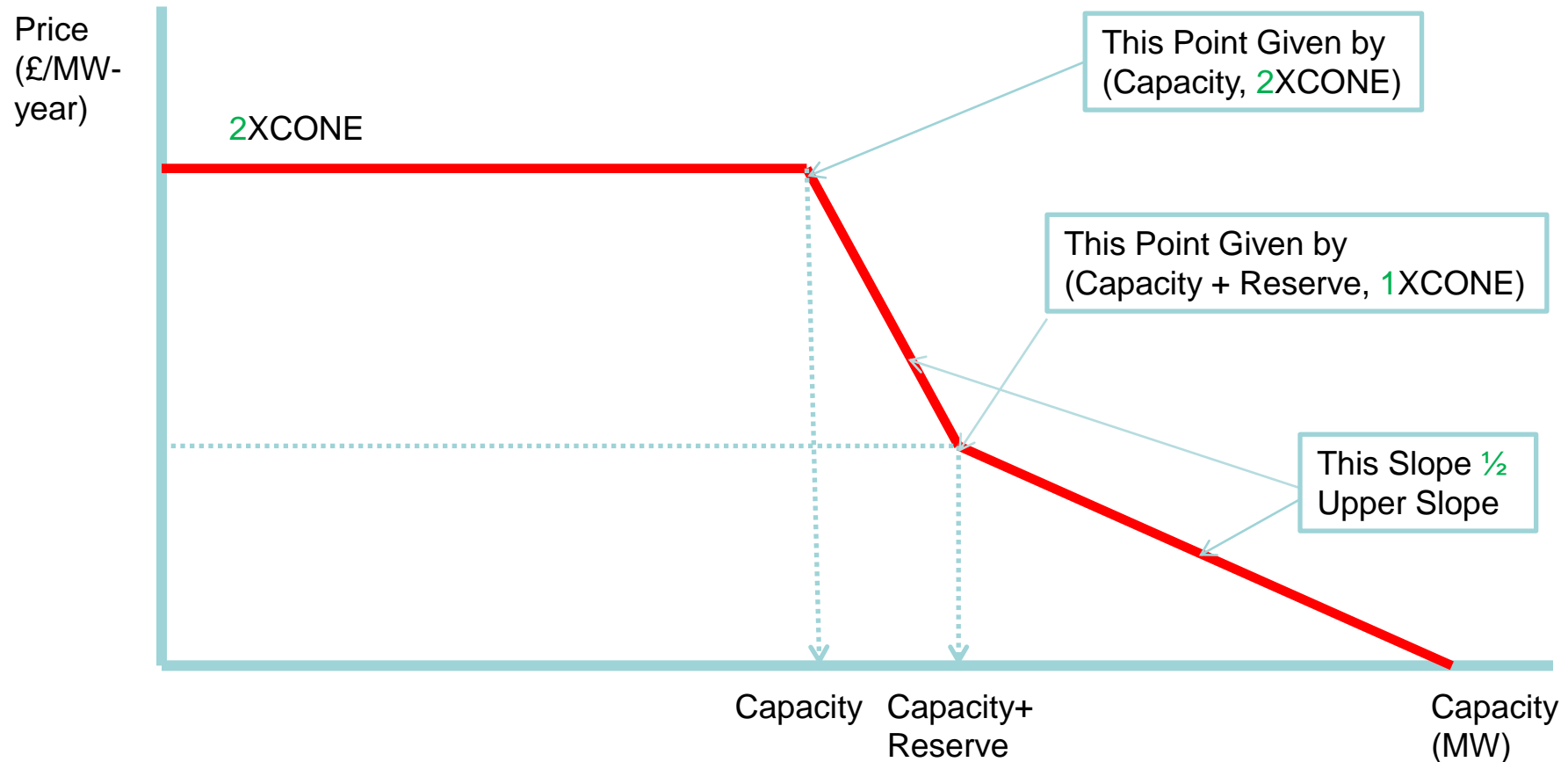
Non-CM  
capacity



Target amount  
in T-1 auction



## Setting the demand curve and the role of the Cost of New Entry (ILLUSTRATIVE)

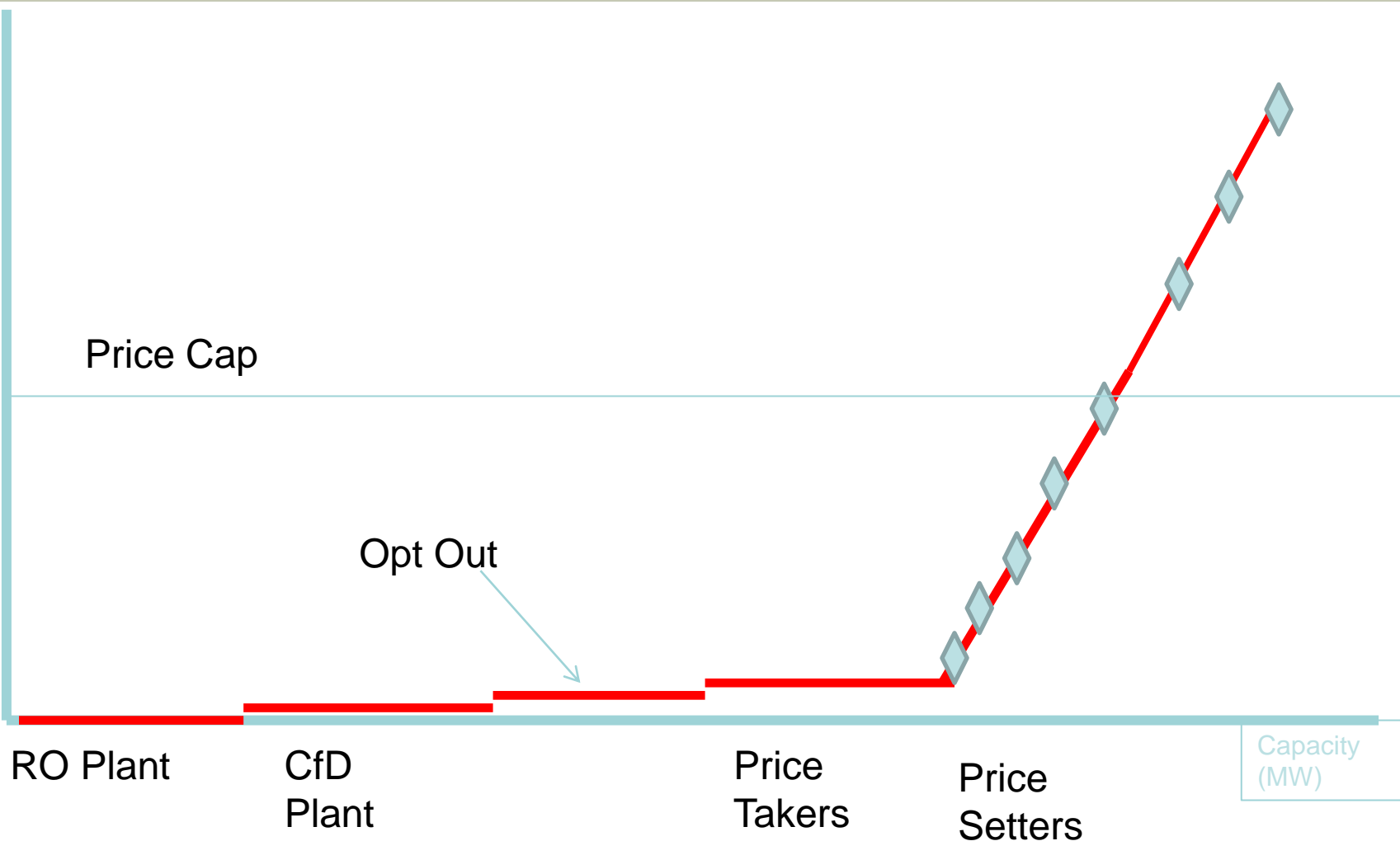


The demand curve is published in advance of the auction



# Supply Curve

Price  
(£/MW  
-year)



Capacity  
(MW)



## Applying the demand curve in the auction

