ENGIE Capacity Market Guide

What is the Capacity Market?

The Capacity Market is a mechanism introduced by the Government in 2018 to ensure that electricity supply meets demand as more volatile and unpredictable renewable generation plants come on stream.

The objective of the Capacity Market is to achieve long-term security of supply. The Capacity Market was proposed following the Government's comprehensive review of the electricity market. Along with Contracts for Difference, Carbon Price Floor and Electricity Demand Reduction, it will reform the UK electricity market to deliver low-carbon energy and reliable supply while minimising the cost to consumers.

How does it work?

Potential Capacity Market participants can bid for contracts in auctions held four years ahead of the delivery date. A secondary, smaller auction is held one year before delivery to "top up" any required capacity levels.

Participants will be paid a per MW rate for the capacity they offer to the market. This capacity needs to be available when National Grid calls upon providers at any time during the contracted period.

Who pays?

Suppliers must pay for the Capacity Market scheme in line with their market share through the Winter months when demand is at its highest (November – February, weekdays, 4-7pm). All electricity suppliers will have to pay the same unit rate contribution, though larger suppliers will have to pay more overall due to their larger share of the market. Consequently, Suppliers include the cost of the scheme in the contracts given to consumers.

Where can I find further information?

The Low Carbon Contracts Company administer the scheme on behalf of OFGEM:

https://www.lowcarboncontracts.uk/capacity-market
info@lowcarboncontracts.uk

Alternatively, if you would like to discuss this, or any other aspect of a supply contract, please contact us on structuredcontracts@engie.com