

OFFICIAL



Department for
Energy Security
& Net Zero

Department for Energy Security & Net Zero
55 Whitehall
London, SW1A 2HP
E: generationcosts@energysecurity.gov.uk

[gov.uk/guidance/contact-desnz](https://www.gov.uk/guidance/contact-desnz)

www.gov.uk/desnz

Our ref: GenerationCostUpdateHurdleRates

14 November 2024

Re CEPA request for information on hurdle rate assumptions for power technologies

Dear Stakeholder,

I am writing to ask for your contribution to a critical Government analytical priority. DESNZ have commissioned Cambridge Economic Policy Associates (CEPA) to review and update the Department's hurdle rate assumptions for power technologies. This includes renewable technologies, low carbon energy generation, gas-fuelled technologies, energy storage and interconnectors.

This research is fundamental to ensuring that the Department has an accurate understanding of each of the technology's cost of capital assumptions. The outputs of the research will inform inputs to the Department's electricity system modelling to understand cost optimal electricity generation pathways to meet Net Zero in 2050. They will underpin the published Generation Cost Report used widely by Government and industry to assess the cost and value of different types of electricity generation. They will also feed into Government policy making including electricity generation strategy and analysis that informs renewable auctions.

In receiving this letter, you are recognised as a key stakeholder to inform this review. We would be very grateful if you would take the time to consider the questionnaire provided by CEPA and respond with as much detail as you can to support this evidence-gathering exercise. This research is your opportunity to ensure your insight is reflected in the DESNZ evidence base.

We recognise that there may be areas of commercial sensitivity. CEPA have ensured any information you provide is covered by data confidentiality measures and will be treated as commercial in confidence. No company will be able to be identified from any data provided and CEPA can also discuss non-disclosure agreements. However, if you do have any concerns or questions, please feel free to contact the project contact below.

We thank you for your support towards this project, and towards our shared objective of Net Zero by 2050.

Yours faithfully,

Donna Leong, Director of Analysis, Department for Energy Security and Net Zero

Project Contact: Jennifer Inwood: generationcosts@energysecurity.gov.uk

OFFICIAL

Page 1 of 1