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Response sent via email:

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Capacity Market: consultation on changes for prequalification 2026

Dear Sir/Madam,

Thank you for the opportunity to respond to your consultation on significant changes to the Capacity Market (CM) to ensure continued security of supply, alignment with government's decarbonisation goals and improved functionality of the scheme.

Who we are

NESO lies at the heart of the energy system as an independent, public corporation responsible for planning Great Britain's electricity and gas networks, operating the electricity system and creating insights and recommendations for the future whole energy system.

At the forefront of our efforts is delivering value for consumers. We work with government, regulators and our customers to create an integrated future-proof system that works for people, communities, businesses and industry.

NESO's primary duty is to promote three objectives: enabling delivery of a cleaner, affordable and reliable energy system for current and future consumers. NESO will take a whole system approach, looking across natural gas, electricity and other forms of energy and will engage participants in all parts of the energy ecosystem to deliver the plans, markets and operations of the energy system of today and the future.

As the Electricity Market Reform Delivery Body (Delivery Body) we play a pivotal role in overseeing the implementation and operation of both the Capacity Market and Contracts for Difference schemes. As a central entity, we ensure the effective delivery and management of these mechanisms, which are critical components of the UK government's energy policy. The Delivery Body works closely with stakeholders, market participants, and regulatory bodies to facilitate transparent and efficient processes.

Our response includes input from both the Delivery Body and wider NESO teams.

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Summary of our response

We are broadly supportive of the proposals set out in this consultation and welcome the opportunity to work collaboratively with the Department of Energy Security and Net Zero (DESNZ) to ensure that the CM remains robust, transparent and fit for purpose as we progress towards a decarbonised electricity system. This consultation comes at critical juncture, as the market continues to evolve to accommodate increasing volumes of low carbon technologies and flexibility services, while maintaining system reliability and delivering value for consumers.

The proposal to introduce a multiple price CM (MPCM) is an interesting development that seeks to sharpen investment signals and better reflect the differing cost structures of new and existing capacity. We are supportive of this direction of travel, as a differentiated pricing frameworks could encourage the delivery of new enduring dispatchable capacity that is essential for maintaining long term security of supply. However, we recognise that a range of external factors will continue to influence the timing of new build investments such as planning consents, connection agreements and clear decarbonisation pathways (for technologies that require them). It is therefore important that the design of a MPCM provides sufficiently long-term signals beyond the current four-year horizon. Careful consideration will also be needed when setting sub-targets to ensure the regime remains cost effective overall, particularly as new build capacity has the potential to displace lower cost existing capacity.

We appreciate the proposed refinements that provide greater clarity for New Build and Refurbishing Capacity Market Units (CMUs). The clarification of definitions, milestones deadlines, and the proposed change to the Long Stop Date for one-year agreements, are helpful steps that will reduce ambiguity for participants and improve consistency across auction types. We also support the broader measures aimed at strengthening delivery assurance; including improved monitoring, clearer progress reporting requirements, and proportionate termination fees as these will increase confidence in delivery outcomes without creating undue administrative burden.

However, we would highlight that the proposal to amend the information published before the auctions, as currently framed, does not appear to consider potential interactions with the Autumn Demand Curve Adjustment process. NESO currently publishes a summary of prequalified, conditionally prequalified and opted-out capacity and so, if the auction reforms are made, changes would also need to be made to remove this obligation.

We look forward to engaging with you further. Should you require further information on any of the points raised in our response please contact Abena Buahin, Senior Policy Lead, at abena.buahin@neso.energy.

Yours sincerely

Rebecca Yang
Head of EMR Delivery Body

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Annex – consultation question responses

Multiple price Capacity Market (MPCM)

Question 1: Do you agree that the proposed price-related reforms will be effective in achieving the CM's security of supply objective?

Yes. However, the potential for additional capacity to emerge is also dependent on factors beyond a reformed price cap, including planning permission, connection capacity and pathways to decarbonise. When deciding whether and how to set a specific sub-target each year, DESNZ will need to consider the interaction with any other investment signals being set through other avenues, such as through the Strategic Spatial Energy Plan (SSEP), which is not intended to be updated annually.

Question 2: If you disagree, please provide reasons for your disagreement and evidence to support your views.

N/A

Question 3: Do you agree that targeting access to higher prices than currently allowed will be effective in achieving the CM's cost-effectiveness objective?

There is an inherent tension between introducing a higher price cap that will increase CM costs to address a potential security of supply risk and the fact that the eligible capacity is likely to be procured in place of cheaper capacity from Existing CMUs with similar characteristics. As such, the cost-effectiveness of the proposal depends on both how a sub-target is determined and the conditions under which DESNZ decides to set one.

Also note that, even in years where DESNZ does not set a specific sub-target but the auction is not very liquid, having a second price cap could still incentivise eligible participants to inflate their bids on the expectation that they will still win an Agreement at the higher price cap.

Question 4: If you disagree, please provide evidence for your response.

N/A

Question 5: Do you agree with the proposed category of eligible capacity? [Yes/No]

Yes, as limiting eligibility to new build dispatchable enduring technologies that can generate continuously without storage related constraints will help ensure the CM secures the reliable capacity needed as the system transitions to higher levels of renewable generation and older assets retire. This targeted approach helps to balance strengthening security of supply against maintaining cost-effectiveness.

However, we recognise that any eligibility criteria may need to be reviewed over time to ensure they remain fit for purpose as technologies and market conditions evolve. NESO would encourage ongoing engagement with stakeholders to monitor the effectiveness of these categories and to consider adjustments if new technologies start to participate in the CM or challenges emerge.

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Finally, we note that the use of the term “eligible capacity” in this context may cause confusion. Within the CM framework, “eligible capacity” already has an established meaning in the Electricity Capacity Regulations (ECR) referring to the capacity that is eligible to participate in the existing CM auctions. Using the same term to describe technologies qualifying for higher market price cap could therefore lead to misinterpretation or ambiguity in both regulatory text and participant guidance. To avoid potential confusion, we suggest that an alternative descriptor, such as “qualifying capacity”.

Question 6: If you disagree, please provide evidence to support your position.

N/A

Question 7: Do you agree with the minded-to position to implement option 6 as the design of the multiple-price Capacity Market? Yes/No

Yes, as this to be a pragmatic approach that maintains the efficiency of a single auction format while introducing differentiated price signals to attract investment in capacity that is critical for long-term system reliability. By enabling two price caps within the same auction and allowing for an optional sub-target, Option 6 is most likely to deliver enduring dispatchable capability without fragmenting auction liquidity.

We recommend considering whether the eligible capacity sub-target should also be reviewed, following the Autumn Demand Curve Adjustment process. This will allow the sub-target to reflect how much of the overall capacity requirement can realistically be met by ineligible capacity, helping to ensure that the auction does not under procure against the overall reliability target.

Question 8: If you disagree, please explain which approach you would favour and why.

N/A

Question 9: What would be an appropriate level for the new, higher price cap, to make eligible new build dispatchable enduring projects commercially viable? Please provide evidence to support your position.

NESO agrees that it may be appropriate to review Net CONE alongside the MPCM reforms and would also support review of the Reliability Standard, given the interaction between these two parameters.

Question 10: What factors and considerations should be taken into account when deciding whether and at what volume to set a sub-target for eligible capacity?

Factors such as system reliability needs, the evolving generation mix, changing demand, and the role of new-build, dispatchable enduring capacity all need to be taking into consideration when determining whether a sub-target is appropriate and at what volume it should be set.

In determining the volume of any sub-target, it will also be important to consider how the sub-target interacts with bidding behaviour, delivery lead-times, and technology-specific build risks. Eligible technologies are often capital-intensive and may have longer construction timelines, which can affect their ability to participate in a given auction year. Similarly, modelling of system stress events should inform the scale and composition of the sub-target. As the climate evolves,

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these stress profiles may shift, influencing the optimal balance between short-duration flexibility and longer-duration, dispatchable capacity.

NESO's ECR sets out a recommendation for the overall T-4 target capacity, rather than at a more granular level by technology type. We consider that further work needs to be done on the details of how the sub-target would be set, and through our EMR Modelling team's expertise, will continue to engage with DESNZ on this, as they firm up their policy positions.

Question 11: What, if any, practical changes beyond those set out in the consultation do you consider would be needed or merited to implement the proposed design?

DESNZ should consider whether the CM currently provides sufficiently robust delivery assurance to ensure that eligible CMUs build the same asset they identified in their prequalification application. Although CMUs need to meet several milestones and are expected to provide the Delivery Body with construction reports, these obligations do not all carry a consequence for non-compliance, which means they could be treated as optional. We also note the work being carried out by the CM Advisory Group to formalise the information provided by independent technical experts (ITEs) and consider that, subject to Ofgem's approval, the proposal would also contribute to improving delivery assurance.¹

Currently, the Delivery Body publish the Auction clearing prices on a separate tab to the main CM Register (CMR) and users can cross reference between the CMU's published Auction and the associated clearing prices. We would welcome confirmation regarding if DESNZ wish to identify whether each CMU received the higher or lower clearing price, as we would need make some changes to publish this on the main CMR.

Ensuring efficient bidding in Capacity Market auctions

Question 12: Do you agree with the proposed increase to the excess capacity rounding threshold for all CM auctions?

Yes, as a low liquidity environment increases the risk that auction participants could use detailed excess capacity information to assess how influential their assets might be in determining auction outcomes, potentially adjusting their bidding strategies to affect clearing prices.

Question 13: If you disagree, are there any likely unintended consequences associated with this change?

While we support the proposal to increase the excess capacity rounding threshold, it is important to consider that any change to information transparency could have unintended effects. For example, reducing the precision of reported excess capacity might make it harder for some market participants, particularly smaller or newer entrants, to accurately assess auction dynamics, potentially impacting their ability to compete effectively. Additionally, there is a possibility that less granular information could introduce uncertainty, which in some market

¹ CMAG change proposal CP387: [Independent Technical Expert Definition Updates and Report Templates – Elexon CMAG](#)

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conditions might affect bidding confidence or lead to more conservative strategies. However, the overall impact would depend on how participants adapt to the new information environment and on broader market conditions.

Question 14: Do you agree with the proposed delay in publication of the identity and aggregate de-rated capacity of prequalified CMUs for all CM auctions?

NESO are generally supportive of this proposal, as we believe that withholding information about prequalified and conditionally prequalified capacity until after the auction will help create a more level playing field for all participants. By limiting advance knowledge of capacity, this change should make it more difficult for bidders to anticipate or influence auction outcomes, ultimately contributing to a fairer and more competitive market environment. However, the proposal may also have some undesirable consequences which we set out in response to Question 15.

Regarding implementation, the Delivery Body's assumption was that only the de-rated capacity would be withheld, while the other information would continue to be published on the CMR in advance of the auctions, but this question suggests that the identify of each CMU would also be redacted. We would welcome clarity on which information should still be published, as it will have implications for the CMR. In addition, if the derated capacity is withheld, it may also be necessary to withhold the Connection Capacity, as this could otherwise be used to infer the redacted information.

Question 15: If you disagree, are there any likely unintended consequences associated with this change?

While we support this proposal, we note that reduced transparency could potentially have some negative consequences:

- It could make it harder for some participants, especially smaller or newer entrants, to assess the market and prepare their bids. This may introduce some uncertainty or affect bidding confidence.
- Publishing prequalified capacity and ownership details provides participants with valuable, but imperfect, insights into their competitors' potential revenue gaps ("missing money"). Removing this transparency could make the auction less efficient, as bidders would have to rely on guesswork, potentially causing lower-cost units to exit before their higher-cost counterparts. However, withholding this information could encourage more conservative bids from risk-averse participants, due to the greater strategic uncertainty.

However, NESO considers the benefits of a fairer auction process are likely to outweigh these potential drawbacks.

Finally, NESO's EMR Modelling team currently publishes the total capacity in the Autumn Demand Curve Adjustment report, as implied by Regulation 23, which would undermine the effectiveness of this proposal. We would welcome clarity on the need to continue with this requirement, although consideration will need to be given to the relevance of this capacity to other information given in the report.

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Consumer-led flexibility (Demand Side Response reforms)

Question 16: Do you agree with the proposal to reduce reporting requirements for individual components where their nameplate capacity is below a set value?

The Delivery Body agree with this proposal, as it will not reduce the level of information available to delivery partners to maintain the operation of the CM, but will reduce the information burden when publishing it externally. It will also improve useability of the CMRs for stakeholders by removing thousands of rows of essentially the same information, which add limited value. Clarity is requested however on what level the DSR unit will be considered identical and therefore to what degree the components will be aggregated.

The Delivery Body has also been working proactively to improve how we publish data through collated CMRs on the NESO Data Portal, which can be more easily accessed by interested stakeholders. The combined data sets on the NESO Portal support API analysis and transparency of data, and as such we recommend this change taking effect as soon as the Rules are laid, and applying to all relevant components, including all previous Auction data sets.

Question 17: If you disagree with the proposal, please provide reasons for your disagreement and evidence to support your views.

N/A

Question 18: The government has proposed a 20-kW threshold per component. Do you agree with the proposed threshold?

The Delivery Body agree with the 20 kW threshold, it should capture the variety of domestic units such as EV chargers, home batteries and heat pumps, for example car chargers are typically rated at around 7 – 19 kW and heat pumps 4-12 kW, while ensuring that more significant capacity is still individually identifiable by the market.

Question 19: If you disagree with the proposed threshold, please suggest an appropriate threshold where individual component reporting should be set and your rationale.

N/A

Question 20: If implemented, do you believe the proposal would introduce unintended or negative consequences? If yes, please provide details as to what these would be and the effects of those.

While the Delivery Body support this proposal, we understand that there may be concern from DSR providers regarding any potential impacts on the “first come first served” model for allocating components to CMUs. We note, however, that DSR providers will still be able to obtain from the Capacity Market Metering Register the metering information needed to allow providers to identify which of their assets may already be active in the CM.

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Question 21: Do you believe there are alternative approaches that could better meet the proposal's intent? If yes, please provide details.

Using the existing structure of the CMR and the requirements of Chapter 7, this option appears to be the clearest to meet the intent, however we would encourage a reconsideration of the whole of chapter 7 to evaluate if the information published is still appropriate and useful for the market.

Granularity of DSR data capture models

Question 22: Do you agree with the proposals above to introduce additional DSR categorisations as part of the Business Model and Business Plan?

The Delivery Body support obtaining greater granularity on the performance and operations of the DSR assets operating within the CM. However, we do question the effectiveness of making these changes to the Business Model and Business Plan, and instead would recommend introducing a new Exhibit, as they are a more effective tool in comparison.

Question 23: Do you believe the introduction of these proposals carry unintended consequences? If so, please provide details.

N/A

Question 24: Do you agree with the proposal to record DSR by the technology's response type?

Yes, as this will enable clearer view and up-front context around potential domestic components involvement, provide operational teams with a clear understanding of expectations and help to provide future clarity about the scale of components.

Question 25: Do you agree with the proposal to record DSR according to the purpose of electricity supply, i.e., domestic or non-domestic?

The Delivery Body overall agrees that distinguishing between domestic and non-domestic will help categorise these correctly, as it will give operations a clearer view of volume and could help to analyse future de-rating factors. However, clarity is required on the intention of this element of the proposal as domestic DSR units are already recorded following the Phase 2 CMR Rule changes, although development of a definition of domestic units could further support the categorisation.

Question 26: If you disagree with the above proposals or have alternative suggestions to the above, please provide details.

N/A

Question 27: Do you agree with proposals to require an Independent Technical Expert report confirming that the CMU's longevity will be met?

The Delivery Body agree with this proposal and support aligning requirements between generation and demand assets that are receiving long term agreements. We also welcome DESNZ providing updated guidance on what qualifies as capex for a DSR Unit, as it will support assessment of DSR Capex. We would also recommend aligning with the CM Advisory Group

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change proposal regarding ITE reports currently being considered by Ofgem, in order to improve the level of reporting across the scheme.

Question 28: Do you believe any additional or alternative measures could be introduced such that delivery assurance and value-for-money interests are met? If so, please provide details.

The Delivery Body believe there could be benefit in requiring a breakdown of estimated costs for the Total Project Spend value provided at application to give greater assurance that the DSR Unit warrants the need for a multi-year agreement.

Question 29: Do you agree with the proposal to align DSR Tests more closely with the timing of their component reallocations?

The Delivery Body agree with the proposal to better align these requirements and to ensure that DSR providers continue to meet their obligation level throughout the delivery year.

We do, however seek clarity on implementation, particularly what is meant by the test 'starting within two days', as this is a very short window and generally shorter than other timeframes specified in the CM Rules. It is unclear whether applicants must simply request a test within that period or whether the test itself must conclude within it. The distinction matters given interdependencies between the Delivery Body and Electric Settlements Company (ESC). We also ask for confirmation on how ESC-related delays will be treated.

Additionally, while the Delivery Body agrees with the intent behind the proposal, we will need to work with DESNZ to understand its deliverability and value it provides:

- If the window in which an applicant should complete the DSR test is set too soon after reallocation, a newly activated component could struggle to supply the 6 weeks of baseline data, but too much of a window following the reallocation could reduce the level of assurance that the proposal is aiming to achieve.
- There is an additional question of whether a re-test during the delivery year is needed for a reallocation to solely add components.
- Clarity is sought regarding the timeline and window, should a unit conduct further reallocations prior to completing its first re-test, which require further metering checks and baseline data.
- There will need to be a consequence of not conducting the DSR test within the delivery year, or it could just be ignored by a capacity provider.

We believe this may also be an opportunity to investigate whether alternative baseline methodologies should be considered for DSR Testing.

Question 30: Do you believe the proposal will introduce unintended consequences? If so, please provide details.

Question 31: If you disagree the proposal, please provide an explanation and suggest alternative solutions where possible.

N/A

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Question 32: Do you agree with the proposal to require DSR CMUs to evidence a minimum 50% capacity relative to its Auction Acquired Capacity?

The Delivery Body are supportive of this proposal and believe it will align the assurance requirements of Unproven DSR units to those of New Build Generating Units, who must demonstrate 50% operational capacity to avoid a £35k per MW termination fee.

Question 33: If you disagree, please provide details and supporting evidence to justify your position.

N/A

De-rating methodology for demand side response (DSR)

Question 34: Do you agree with the proposal to extend the current DSR de-rating methodology as outlined above?

NESO believe this a reasonable and pragmatic position. Extending the current DSR de-rating methodology allows time for the development of a more robust, data driven, and enduring approach that can be aligned with the cycle of ECRs produced ahead of each auction.

We would like to understand whether this proposal will be impacted by the delays to the implementation of Slow Reserve by NESO, and therefore the closure of STOR, until 31st March 2026². Additionally, we would welcome further information on the enduring approach to DSR de-rating factors, given the relatively short window for developing this.

Question 35: If you disagree, please provide rationale and alternatives to this Proposal.

N/A

Use of permitted on-site generating units (POSGUs) and declarations within DSR

Question 36: Do you agree with the intent to require greater clarity of POSGUs at the point of application?

The Delivery Body agrees with this proposal; this would support our ability to check that relevant units are meeting any additional requirements that may occur over the agreement timeline such as providing a metering test certificate or emissions declarations. Clarity is needed on whether this proposal would be further supported by monitoring of metering outputs by the Delivery Body and/or ESC to identify where an applicant may have failed to identify they have POSGU as part of their application, based on their metering output.

² <https://www.neso.energy/document/370841/download>

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Question 37: Do you agree with the introduction of a TF4 Termination Fee for false declaration of POSGUs?

Yes. The Delivery Body recognise that TF4 is quite a high termination fee, but, conversely, it should be apparent to an applicant if they have POSGU and so be easy for them to provide the correct information, without waiting for it to be identified by the Delivery Body.

Question 38: If you disagree with the TF4 Termination Fee, please provide your reasoning and alternative suggestions where possible.

N/A

Self-nomination of connection capacity for battery storage technologies

Question 39: Do you agree with the proposal to allow self-nomination of connection capacity for CMUs of the fuel type "Storage – Battery"?

The Delivery Body agrees with the view of permitting Self Nomination for Storage-Battery CMU types and defining within the Rules to the extent to which this is permitted, subject to any further review to manage degradation alongside the Extended Performance Test (EPT). If EPT were to undergo reform to manage degradation within that, this Rule should be revoked so all Generating Technology Classes (GTCs) are required to provide the same Connection Capacity position under the existing CM Rule 3.5 provision.

Question 40: If you disagree with the proposal in Question 39, please state why and provide evidence where possible.

N/A

Question 41: Do you agree with the inclusion of a floor on the self-nominated SCC of 50% full connection capacity, which Storage Capacity Providers must adhere to?

The Delivery Body agrees with the inclusion of a floor of 50% Connection Capacity, which will need to be included in the Rule drafting to be included and evidenced within an application. Including this value will help to create visibility of potential Capacity lost due to Self-Nomination and provide a clear view to EMR Modelling when performing the Autumn Adjustment position.

Question 42: If you disagree with the proposal in Question 41, do you foresee issues with the concept of the floor or the level to which it is set? If not 50%, what would be an appropriate level? Please provide evidence where possible.

N/A

Question 43: Do you foresee any unintended consequences or risks which could arise from the proposals set out in Questions 39 and 41?

Not directly, but it may prompt other generating CMUs that are a different GTC to seek self-nomination such as other storage types that are not batteries (e.g. Long Duration Electricity

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Storage (LDES)). However, we recognise that the restriction to batteries is because of the impact of cyclic charge and discharge on this technology in comparison to other generating CMUs.

Question 44: Noting the considerations outlined in this section of the consultation, do you have any further comments or concerns regarding Battery Storage CMUs participating in the CM? Are there any further required changes which have not been identified or considered?

N/A

Determining appropriate means for non-fossil fuel generation to access low-carbon CM mechanisms

Question 45: Do you agree with the interim solution of adopting a version of the established Renewables Obligation sustainability criteria?

The Delivery Body understands this makes sense from a consistency perspective and for Market Participants, to align the policy position on biomass and similar technologies with CfD Low Carbon Standards and the CM, particularly as both look to provide subsidies to Market Participants.

From an implementation perspective, there would need to be a new Director Declaration that could be submitted as part of an application and assessed consistent with how the Delivery Body currently assess Applications during prequalification.

The consultation refers to 'a Fossil Fuel Emissions Declaration is not required in respect of biomass'. We are assuming the Applicants will still need to complete the Emissions Exhibit but complete it as a fewer than 1 MW of fossil fuel applicant. We would want to maintain a similar level of eligibility criteria across all technology types.

Question 46: If you disagree, please provide any alternate suggestions.

N/A

Question 47: Do you agree with the proposed longer-term solution to align with the upcoming biomass common framework?

We suggest that a new Exhibit should be introduced where applicants declare their emissions values, which are then independently verified to confirm they align with the set emissions criteria. This is consistent with how applicants demonstrate compliance with other obligations.

Question 48: If you disagree, please provide any alternative suggestions.

N/A

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Question 49: Do you agree with the proposal to apply the enhanced sustainability criteria of the proposed low carbon dispatchable Contract for Difference to all CM eligible woody biomass generators ≥ 1 MW?

The Delivery Body agrees that DESNZ should continue to only apply the criteria to generators with an Installed Capacity of greater than 1 MW. This 1 MW threshold currently used for the inclusion of generators within an Exhibit ZA is an understood practice and replicating it would be beneficial.

Question 50: If you disagree, please provide any alternative suggestions.

N/A

Implementation of annual sustainability reporting for biomass CMUs

Question 51: Do you agree the government should implement a process that includes annual reporting in the same format as the RO's Annual Sustainability Audit Report?

Delivery Body agree with the implementation of a process by which Biomass CMUs must provide annual reporting aligned to the RO Sustainability Audit Report. From an implementation perspective we would not expect this proposal to cause fundamental change to how we manage agreements but note that it will require creation of an annual reporting obligation and updated to our CMRs.

However, one potential limitation to be aware of is the small number of Independent Emissions Verifiers (IEVs) available to complete any verification required. We have had customers state that there are not enough IEVs, causing delays with verification of Exhibits being submitted as part of their application and so the timing of delivery of the proposals may want to be considered from an implementation perspective.

Question 52: If you disagree, please provide any alternate suggestions.

N/A

Energy from waste and biogenic fuels

Question 53: Do you agree that EfW in its current form, without carbon capture and storage, is primarily a function of the waste management system, and as such, faces different decarbonisation challenges to other methods of electricity generation?

The Delivery Body agrees with the minded-to position. In its current form (without carbon capture and storage, CCS), EfW primarily serves the waste management system rather than operating as a conventional generation technology and therefore faces distinct decarbonisation constraints compared with other CM eligible assets. While EfW has historically represented a small share of CM participation, we have observed an increasing number of applications of this type in recent delivery years, reflecting both market diversification and the maturing interface between waste

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management and energy generation. We therefore welcome the consultation's focus on clarifying EfW's treatment, ensuring that the CM continues to balance security of supply, decarbonisation objectives, and regulatory coherence.

Question 54: If you disagree, please provide any alternative suggestions.

N/A

Question 55: Do you agree that the challenges in reliably measuring EfW biogenic content, setting a minimum biogenic threshold, and verifying that biogenic content in waste make this unworkable for the CM specifically, where payments are based on capacity provided rather than generation?

Question 56: If you disagree, please provide any alternative suggestions.

N/A

Clarifying the definition of “waste” for the Energy from Waste (EfW) technology class

Question 57: Do you agree with the proposal to introduce a definition of “waste” into the CM Rules?

The Delivery Body supports adding a clear, statutory-anchored definition of “waste” to provide certainty for applicants and the Delivery Body and ensure consistent treatment of EfW and related technologies during prequalification and agreement management. We will continue to work with DESNZ to draft a clear and concise definition, so it is clear what ‘waste’ means for the purposes of the CM.

Question 58: Do you agree with the proposal to use the definition of “waste” found in Article 3(1) of the Waste Frame Directive, as modified by Article 5 and Article 6 of the Directive?

Adopting Article 3(1) of the WFD read alongside Articles 5 and 6 on by-products and end-of-waste criteria offers a robust and legally consistent basis for defining waste. This approach reflects domestic law and provides a practical filter to distinguish “genuine” waste from by-products or recovered materials.

Question 59: If you disagree with the proposed definition of “waste”, please provide any alternate suggestions.

N/A

Question 60: Are there any other GTCs that you think should be further defined in order to clarify the Rules and reduce uncertainty for market participants and Delivery Partners?

Question 61: Do you think that the proposal to add a definition of “waste” into the CM Rules will have any unintended consequences? If so, please provide details.

N/A

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Clarification of Rule 2.3.3 – de-rating factors and secondary trading

Question 62: Do you agree with the proposed amendment to clarify Rule 2.3.3(b)

The Delivery Body agrees with the proposal to clarify Rule 2.3.3(b) by aligning a new Secondary Trade Entrant Application with the relevant T-1 de-rating factor. Based on discussion with DESNZ and Ofgem, we understand secondary trading was initially intended to provide a CMU with flexibility to continue meeting its obligations where it faced a temporary event, such as an unplanned outage. Under such a scenario, it would be straightforward to identify de-rating factor to be applied to the transferred capacity.

Since then, the addition of new GTCs and de-rating factors, and the evolution of secondary trading such that capacity can be traded multiple times, means it is extremely difficult to trace the capacity through trades to apply the de-rating factor that applied during the original auction.

There are also important behavioural and market considerations. Applying the original de-rating factor could distort trading behaviour by incentivising the capacity providers to seek trading partners based on which historic de-rating factor is most favourable, rather than on operational suitability or availability. In contrast, the latest T-1 de-rating factor most accurately reflects the expected availability of a technology class for the relevant delivery year and incorporates the most recent operational evidence. As such, the T-1 factor represents a more accurate reflection of cost versus value.

Question 64: If you disagree, please provide an alternative solution.

N/A

Question 63: Do you agree that the De-rating Factor for the Transferee CMUs should be set at the same level as the T-1 Auction for the Delivery Year relevant to the trade?

The Delivery Body agrees with the position that the de-rating factor for a Transferee CMU should reflect the T-1 de-rating factor for the delivery year in which the trade takes place. This approach maintains alignment across all secondary trades occurring within a particular delivery year and prevents the application of de-rating values derived from different auction rounds.

Additionally, as noted above, it addresses the significant complexity with trying to retain the original Auction acquired de-rating factor to capacity that passes through multiple trades, including situations where there was not a relevant de-rating factor at the time of the Auction.

Question 65: Do you think that the proposal to amend Rule 2.3.3 will have any unintended consequences? If so, please provide details.

The Delivery Body does not expect the proposal to result in material unintended consequences, as existing processes already operate broadly in line with the clarified position. The amendment primarily formalises current practice and helps remove uncertainty.

A minor consideration may arise where a capacity provider believes an alternative, higher de-rating value should apply to their CMU during a secondary trade. However, reinforcing that

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secondary trading must use the de-rating factor set for the relevant T-1 auction ensures consistency with system reliability assumptions for that year.

Suspension of Capacity Market payments for insolvency termination events

Question 66: Do you agree with the proposal to suspend Capacity Payments to Capacity Providers that are being terminated because of an Insolvency Termination Event at the point of the Termination Notice being issued?

Yes, as, this approach strengthens the integrity of the scheme, ensuring that payments do not continue where a CMU is no longer capable of delivering its obligations.

Question 67: Do you think the proposed amendment will have any unintended consequences? If so, please provide details.

N/A

Amendment to Rule 8.3.3(f)(i) – clarifying timeline for submitting metering assessment information

Question 68: Do you agree with the proposal to amend Rule 8.3.3(f)(i) to clarify the timeline for the submission of information to EMRS after submitting a completed Metering Assessment?

The Delivery Body is supportive of the clarification to Rule 8.3.3(f)(i), as it provides greater certainty to applicants regarding metering deadlines.

Question 69: Do you think the proposal will have any unintended consequences? If so, please provide details.

N/A

Updating the approximate timetable in Rule 2.2.2

Question 70: Do you agree with the government's proposal to amend the approximate timetable in Rule 2.2.2 to align more closely to the scheme's operational timetable?

The Delivery Body agrees with the proposal to amend the timetable in Rule 2.2.2 so that it more closely reflects the scheme's operational timetable. This change will improve clarity for potential CM applicants and bring the indicative timetable into alignment with the timelines that have been consistently published since 2020.

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Question 71: Are there any activities not currently mentioned in the proposed amended Rule 2.2.2 that should be included in the indicative timetable? Are there any events currently mentioned in Rule 2.2.2 that should be removed?

The Delivery Body's view is that the current list of milestones is appropriate, as adding more milestones would make the timetable too rigid to accommodate any changes needed for a specific delivery year. Instead, it is sensible to retain the key milestone dates within the existing CM Rule 2.2.2, with the Auction Guidelines being the formal determination of those dates.

Question 72: Do you think that the proposed change to Rule 2.2.2 will have any unintended consequences? If so, please provide details.

N/A

Extension to prequalification window following IT failure

Question 73: Do you agree with the proposal to add a new Rule allowing the Delivery Body to extend the deadline to submit a Prequalification Application if there was a severe IT issue that renders the prequalification process impossible or unfair to all Applicants?

Given CM Rule 1.6.1 requires applicants to use the EMR Portal for prequalification, it is a sensible approach, which the Delivery Body supports. It is essential that all applicants can participate on a fair and equal basis, and a severe and sustained IT issue could disproportionately affect some capacity providers if they are unable to submit their application through no fault of their own. Providing a clear mechanism to extend the Prequalification Application Window in the event of a material IT failure would safeguard fairness and maintain confidence in the process.

More recently, the Cloudflare issue on 18 November 2025 during the final day of the Tier 1 disputes process highlights that there are other post-prequalification submission activities that must be done through the EMR Portal but may also be affected by an IT issue. Given this, we recommend DESNZ also considering alternative arrangements for them, which could include offline submission for smaller volumes, such as fulfilling prequalification conditions.

Question 74: Do you agree that this extension should be instigated by the Delivery Body rather than the Secretary of State? If not, please provide details.

As the operator of the EMR Portal and the party with real time visibility of system performance, we agree that, during the period of system disruption, Delivery Body is likely to be best placed to trigger an initial extension under a process set out in the Rules. It should be noted that, although the Delivery Body might formally trigger the extension, we would have already engaged with DESNZ as soon as the IT issue emerged.

Where an issue is unable to be resolved within the initial extension window, the severity of the issue means that any further extension would be best decided by the Secretary of State, as they would ultimately be responsible for deciding to suspend the auction, should the issue be unresolvable in a reasonable period.

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Question 75: Do you agree that any extension should be fixed for a certain amount of time to provide industry greater certainty? If not, please provide details.

The Delivery Body believes the overall duration would have to be for a minimum of the duration of the outage/issue, if the outage exceeds 48 hours. Should discretion be proposed around extension timescales, it would introduce more uncertainty for industry and increase the possibility of more challenge by industry.

Question 76: What are your views regarding the option for a further extension beyond an initial period of 5 working days? Do you think such a decision should be taken by the Delivery Body or Secretary of State?

As above, where the issue is very severe, we think an additional extension should be decided by the Secretary of State and we will work with DESNZ on agreeing the engagement required ahead of Secretary of State decision making timelines.

Question 77: Do you agree that an extension should only be considered if the severe IT issue occurred in the last 2 weeks of the Prequalification Window and remained a severe issue for a period of 24 hours or longer?

The Delivery Body agrees that the last two weeks seems sensible due to the duration for submitting applications currently and the fact most applications are only completed in the final few weeks of the prequalification submission window. This is conditional on the duration of the window not being revised to a much shorter window (less than 6 weeks), which then may make it difficult for applicants to submit quality applications.

It is also important to consider the Delivery Body's wider statutory deadlines. While this proposal is framed in the context of the Prequalification window, severe IT issues can also impact other time bound processes such as Tier 1 dispute submissions. We therefore suggest considering a wider scope of obligations beyond Prequalification submissions exclusively.

Question 78: Do you think there are any unintended consequences of adding a new Rule allowing the Delivery Body to extend the deadline to submit a Prequalification Application if there was a severe IT issue that renders the prequalification process impossible or unfair to all Applicants? If so, please provide details.

The main impact from a Delivery Body perspective will be timetable implications, i.e. if the Prequalification Submission window is extended, the Assessment will start later than planned and therefore disputes and the rest of the timetable will be pushed out, including potentially overlapping with the 31 May deadline for when the EMR Modelling team must provide the Electricity Capacity Report under Regulation 7..Provision will need to be made for this, and the consequences thought through.

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Long stop dates and terminated one-year capacity agreements

Question 79: Do you agree with the proposal to amend the definition of Long Stop Date to clarify to Capacity Providers that secure a one-year Capacity Agreement for a New Build CMU or Refurbishing CMU in the T-4 Auction will have a Long Stop Date of the start of the first scheduled Delivery Year, aligning to the process for the T-1 Auction?

The Delivery Body support this proposal as it removes the potential for CMUs to be caught in limbo where they are unable to prove they are operational but also unable to be terminated until after the Agreement has expired. It also removes unnecessary complexity from the process.

Question 80: Do you think there will be any unintended consequences of amending the definition of Long Stop Date to clarify this? If so, please provide details

N/A

Amendments to the Electricity Capacity (Supplier Payment etc) Regulations 2014

Question 81: Do you agree with the proposals to amend the Electricity Capacity (Supplier Payment etc.) Regulations 2014 to align with the implementation of MHHS and ensure that the CM is adhering to legislation?

Question 82: Do you agree with the proposals to amend the Electricity Capacity (Supplier Payment etc.) Regulations 2014 to remove references to the now outdated processes regarding the standstill period?

Question 83: Do you think there are any unintended consequences of amending the Regulations to align with the implementation of MHHS? If so, please provide details.

Question 84: Are there any other additional Regulations or CM Rules that you believe the government should consider changing to ensure that the CM is adhering to legislation and continues to function?

N/A

Introduction of Termination Fee 4 (TF4) for specific termination events

Question 85: Do you agree that a Termination Fee of category T4, set at £15,000/MW, is an appropriate fee level for Termination Events 6.10.1(o) and 6.10.1(q)? If not, please provide an alternative fee category/level.

The Delivery Body considers the proposed T4 termination fee level of £15,000/MW may be appropriate for Terminations Events 6.10.1(o) and 6.10.1(q). The intention behind termination fees is to ensure that participants only enter the CM where they are confident they can meet their milestones and ultimately deliver capacity during a System Stress Event.

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While many fees seek to reflect a CMU's progress through development milestones, these termination events **currently carry** no fee. Although, originally designed to capture genuine errors, we have observed instances where the zero fee termination events have been used strategically to avoid an upcoming fee-bearing termination event. Applying a T4 level fee would remove this incentive to "fee shop" to find the least costly exit route and ensure that all Capacity Providers face consistent expectations and consequences when withdrawing from the scheme.

Question 86: Do you think there will be any unintended consequences of increasing the Termination Fee level for these Termination Events? If so, please provide details

N/A

Monitoring of construction milestone progress reports

Question 87: Do you agree that further clarifying the information needed in the progress reports and engagement with Capacity Providers who fail to submit them is an appropriate way of resolving this issue?

The Delivery Body generally understands the intention behind the proposal and notes that, if the Multiple Price CM is implemented, robust monitoring will become more important to provide assurance the expected assets are constructed. However, it remains unclear whether the proposed measures will materially improve compliance, as the Delivery Body has already encountered instances where Capacity Providers have been reminded that they need to provide construction reports and chose not to do so without consequence, e.g. risk of termination. In these cases, additional guidance or clarification is unlikely to alter behaviour.

Without a clear link between non-submission and risk of termination or another consequence, the Delivery Body considers that the proposed approach may have limited impact on resolving the underlying issue.

Question 88: Do you agree that a standardised construction progress report will improve the quality of reports submitted and make it simpler for Capacity Providers to submit reports by the relevant deadlines?

Yes, we agree this change would have the desired effect of improving quality whilst also making the task less onerous for Capacity Providers.

Question 89: Do you have views on the suitability and effectiveness of a penalty regime or the introduction of mandatory Independent Technical Expert reports on compliance with this Rule? What would an alternative option look like?

Similar to our response to Question 85, we recognise that a termination could be considered an excessive consequence for not providing an ITE report, but we also note that Capacity Providers should be able to meet all the obligations placed upon them when they enter the CM, including straightforward reporting.

However, an alternative to a termination could be the introduction of a structured mechanism to address repeated non-submission – e.g. for a T-4 agreement, a first tier of penalties could apply

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from the second missed Construction Progress Report, with escalating levels for each subsequent missed report. Finally, a third option could be to apply a different timeline for instance instead of a report every six months, this could be updated to requiring an annual report, with interim reports for specific important changes since the last report.

In relation to the introduction of mandatory Independent Technical Expert (ITE) reports, we note that it is not explicit that the Delivery Body relies on the report and that the obligation for it to be true and correct falls on the ITE. If the mandatory ITE reports are introduced, the Rules should be updated to clarify these points to ensure the ITE mechanism is effective, usable, and legally robust.