



Department for  
Energy Security  
& Net Zero

# Capacity Market: Policy Update

2023 Phase 2 Consultation



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# Context

## Background

Since its introduction in 2014, as part of the Electricity Market Reform (EMR) programme<sup>1</sup>, the Capacity Market (CM) has ensured that Great Britain maintains and brings forward sufficient capacity to deliver secure supplies of electricity to power our homes, businesses, and public services.

Existing and new build capacity compete in technology-neutral auctions to obtain agreements, under which they commit to making their capacity available when needed in return for guaranteed payments to support investment in new and existing capacity. Government has routinely made changes to the CM to improve its functioning and ensure it remains fit for purpose in the changing energy policy and technology context.

The 2023 Phase 2 consultation<sup>2</sup> focused on proposals for CM changes to strengthen security of supply and accelerate investment in low carbon technologies. Phase 2 of the reforms built on the previous Phase 1 consultation<sup>3</sup> and engagement with stakeholders and industry. Most of the responses were broadly supportive of proposals. Ahead of the summer 2024 auction prequalification window, parliamentary time was significantly limited, therefore government prioritised technical measures that could be implemented via Rules only amendments in the short period before the commencement of the prequalification window, as outlined in the July 2024 Phase 2 Government Response<sup>4</sup>.

## Next Steps

This policy update outlines the next steps for those policies from the Phase 2 consultation that were not progressed prior to the 2024 prequalification window, and the government's intention to introduce the proposals by the 2025 prequalification window, subject to parliamentary time. This policy update should be read alongside the Government Response to the Phase 2 Consultation.

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<sup>1</sup> Available at: <https://www.gov.uk/government/publications/implementing-electricity-market-reform-emr>

<sup>2</sup> Available at: <https://assets.publishing.service.gov.uk/media/65296ec4697260000dccb811/capacity-market-phase-2-10-year-review-consultation.pdf>

<sup>3</sup> Available at: <https://assets.publishing.service.gov.uk/media/648837ec5f7bb700127fa8e4/capacity-market-2023-consultation-government-response.pdf>

<sup>4</sup> Available at: [https://assets.publishing.service.gov.uk/media/669a1e7e0808eaf43b50d28e/capacity-market-government-response\\_\\_1\\_.pdf](https://assets.publishing.service.gov.uk/media/669a1e7e0808eaf43b50d28e/capacity-market-government-response__1_.pdf)

# Improving security of supply

## Penalty regime – timelines for calculating non-delivery penalties

Following the extension of penalty calculations and invoicing timelines by the Electricity Settlements Company (ESC) to 35 working days, which were made through changes to Regulation 41(2) in July 2023, Questions 1 and 2 of the Phase 2 consultation sought views on proposals to amend the timescales for ESC to determine the Adjusted Eij (where “E” is energy delivered, and “i” is the relevant CMU, and “j” is the relevant Settlement Period in which that CMU delivers energy) to 34 working days to bring these in line with Regulation 41(2).

### Summary of responses

All respondents agreed with the proposed changes to timelines for the ESC volume re-allocation window and associated activities. It was noted that timelines for calculating over-delivery payments may also need to be adjusted to bring them in line with the proposed changes to the volume re-allocation.

Please see the July 2024 Phase 2 Government Response for a full summary of responses.

#### **Policy Response**

Government intends to amend the timescales for ESC to determine the Adjusted Eij to 34 working days to bring these in line with Regulation 41(2).

To support this proposed change, government will amend the timescales set out in Rule 10.5, which detail the dates for when information must be considered by the ESC and published in the Capacity Volume Register (CVR). The dates for the CVR will be updated as follows, to better align with the new timelines under Regulation 41(2):

- The first CVR publication date to be amended from Working Day 10 (WD10) to Working Day 20 (WD20).
- The timelines for updated CVRs published each day to be amended from between WD11 and WD19, to between WD21 and WD33.

The proposed amendments set out above also require a corresponding change to the Volume Re-allocation window in which a relevant party can submit a Capacity Market Volume Reallocation Notification (CMVRN), as set out in Rule 10.2.4, from between WD11 and WD19 to between WD21 and WD33.

Rule 10.5 will also be amended to remove references to Regulation 35, which covers “Null and void capacity agreements”, and will instead refer to Regulation 39,

“Determination of adjusted load-following capacity obligation, net output and adjusted net output” which obliges ESC to make certain determinations also covered by the Rules.

## Further aligning Regulation 50 with policy intent

Question 4 of the Phase 2 consultation outlined the government’s proposed approach to aligning Regulation 50 with policy intent, outlining the following proposal:

“The proposed amendment to Regulation 50 is such that it further aligns with the policy intent and CM Rules, in that failure to meet Extended Performance Tests (EPTs) is to be treated in the same way as failure to meet Satisfactory Performance Days (SPDs) across suspension of payments.”

### Summary of responses

The majority of respondents agreed with the proposal to amend Regulation 50 so that it further aligns with policy intent and CM Rules, bringing clarity to the relationship between EPTs and SPDs. Those that did not support the proposal had strong views that there needs to be a solution to the challenges around EPTs before the change to Regulation 50 can be put into effect.

Please see the July 2024 Phase 2 Government Response for a full summary of responses.

### Policy Response

In line with the majority view of respondents, the government intends to proceed with the proposed amendment to Regulation 50, such that it further aligns with policy intent and the Capacity Market Rules. The amendment to Regulation 50 will mean that failure to meet EPTs are treated in the same way as failure to meet SPDs through suspending payments following the closure of the SPD/EPT window.

## Changes to the regulations clarifying non-permitted Capacity Market and Contract for Difference participation

Question 5 of the Phase 2 consultation outlined the government’s proposed approach to add further clarification to Regulation 16(2) that a site cannot prequalify for the CM auctions if they hold a Contract for Difference (CfD). This is intended so the regulation aligns with policy intent. The consultation outlined the following policy proposal:

“The Regulations were drafted to achieve the policy intent outlined above; however, the proposed amendment aims to provide further clarity to industry by adding further detail to Regulation 16(2). This would be to provide expressly that a CMU can only be prequalified where no CfD has been awarded in respect of it, even if the CfD is for a later delivery period,

unless the CfD in question has expired or been terminated. There is no policy change associated with this proposed amendment.”

### Summary of responses

Most responses agreed to the proposal to further clarify Regulation 16 so that a plant cannot prequalify for the CM auction if it is the subject of a CfD that has not expired or been terminated. Some responses raised some potential unintended consequences, stating that the wording needed to provide clarity to generators and to remove barriers to participation for renewable generation that does not receive a subsidy but may be captured by the current wording, as well as clarification around how this Regulation might apply to other support mechanisms.

Please see the July 2024 Phase 2 Government Response for a full summary of responses.

#### **Policy Response**

In line with the majority view of respondents, the government will proceed with amendments to Regulation 16(2) to increase the clarity of plants which are not permitted to prequalify if they are the subject of a CfD that has not expired or been terminated.

The current wording of regulation 16(2) is not inconsistent with the intended policy intent; however, the proposed amendment aims to provide further clarity to industry by adding further detail to Regulation 16(2).

The amendment to Regulation 16(2) will make more explicit the policy intent that a CMU can only be prequalified where no CfD has been awarded in respect of it, even if the CfD is for a later delivery period, unless the CfD in question has expired or been terminated.

Government wants to ensure that flexible plants that are seeking to transition from a CM to Dispatchable Power Agreement (DPA) do not face unnecessary regulatory obstacles on top of other, technology-specific, challenges. A gas-fired plant planning to fit CCUS or convert to using hydrogen, for example, has the potential to contribute to both the decarbonisation and security of supply agendas, and may wish to participate in the CM while waiting for enabling infrastructure (such as CO<sub>2</sub> and H<sub>2</sub> networks) to become available. If it were not able to do so, this could have implications for security of supply and CM auction dynamics. Government will consider how best to address this concern by creating an appropriate exception to the general rule that excludes plants with a CfD from participating in the CM, without producing any unintended consequences. In a longer timescale, it is also possible that plants may wish to transition from a DPA to the CM, and government will also consider how best to make appropriately targeted provision for this.

To note: There is no policy change associated with this amendment.

# Accelerating investment in low carbon technologies

## Multi-year agreements for low carbon, low Capex technologies

Section 6.2 of the Phase 2 consultation outlined the proposal for multi-year agreements for low carbon, low Capital expenditure (Capex) technologies to provide greater revenue certainty and incentivise further low carbon participation in the CM. Question 10 sought further views on the introduction of 3-year agreements with no Capex thresholds for low carbon, low Capex technologies, and the introduction of a new mid-point 9-year Capex threshold for low carbon capacity.

### Summary of responses

The majority of respondents supported the proposals on 3- and 9-year agreements for low carbon CMUs, citing the importance of aligning the CM with decarbonisation goals, and enabling better access for an expanded range of technologies. A few respondents questioned the introduction of 3-year agreements with no Capex thresholds.

Please see the July 2024 Phase 2 Government Response for a full summary of responses.

### **Policy Response**

The government intends to implement both policies:

- 3-year agreements with a Capex threshold of £0/kW, only available to low-carbon New Build and Unproven DSR capacity; and
- Introducing a new 9-year Capex threshold for low carbon projects to act as a midpoint between 3-year and 15-year thresholds.

Section 6.2.1 of the Phase 2 consultation outlined an approach to defining which projects would be considered low carbon for the purposes of the CM, establishing a benchmark emissions intensity of 100gCO<sub>2</sub>/kWh or lower.

This threshold was proposed in the January 2023 CM consultation in the context of longer-term CM decarbonisation and was said to be based on stack emissions. For technologies using biogenic feedstocks, e.g. wastes and woody biomass, which have carbon emissions not from fossil fuel sources, assessing their eligibility for low carbon capacity based simply on stack emissions is unlikely to be appropriate, as these technologies are subject to relevant sustainability criteria and require an appropriate Monitoring, Reporting and Verification (MRV) method to be in place.



The primary focus of the Phase 2 policies relating to "low carbon" CMUs is accelerating support for, and investment in, other low carbon technologies whose operation produces no CO<sub>2</sub> emissions. There is a need to progress how these technologies can operate under the CM. As such, government will proceed with defining the 100gCO<sub>2</sub>/kWh ceiling on eligibility for "low carbon" status in the CM in a way that works for plants that either have no operational CO<sub>2</sub> emissions (such as storage), or (based on existing methodologies in the CM Rules) for gas-fired plant with CCUS. Government intends to implement this policy as part of the Phase 2 changes.

In respect of biomass and other technologies with emissions not from fossil fuel sources, government will review appropriate methodologies for calculating how this capacity may appropriately access any support specific to low carbon capacity in the CM.

The Rules will include new termination events and termination fees and a requirement to repay capacity payments will be applicable.

The government appreciates the feedback shared on the introduction of the 3 and 9-year agreements, and notes that some respondents questioned the introduction of 3-year agreements with no Capex thresholds.

Government is progressing a range of actions to remove barriers and reform markets for flexibility, including adapting the CM to better align with our net zero ambitions. Whilst the government has noted the points made in opposition to this proposal, it continues to believe that offering 3-year agreements with no Capex thresholds would address participation barriers for low carbon capacity, whilst limiting consumer exposure to price, competition and volume risks.

Furthermore, the government still maintains the rationale for reserving the longest agreements for high-capex technologies, which still need to be competitive in CM auctions to support future security of electricity supply, and is therefore minded to retain the use of Capex thresholds in the CM.

In addition, government will continue to review the interactions between the CM and other support mechanisms, such as those for CCUS and Long Duration Electricity Storage (LDES) technologies.

## Capital expenditure thresholds

As part of the Phase 1 consultation (published in June 2023, prior to the Phase 2 consultation), the government consulted on the proposal to update the reference cost levels of the CM's Capex thresholds. This is to ensure these thresholds are appropriate following changes in the technology mix of the CM and developments in the power sector.

The consultation proposed that the reference cost level of a 3-year agreement would be changed to be linked to the cost of refurbishing on Open-Cycle Gas Turbine (OCGT), resulting

in a threshold of £135/kW (in the CM year 2021/22). As reference levels are linked to inflation, the Capex threshold was £165/kW for the last auction in 2024. This is with the aim of making this threshold more relevant to the types of refurbishments likely to be seen competing in the CM in the coming decade.

The 15-year agreement threshold was proposed to remain at its existing level (£325/kW for Delivery Year 27/28) to ensure that a wide range of carbon technologies can continue to benefit from eligibility for long multi-year agreements to better support their investment case.

### **Policy Response**

Government maintains the rationale for reserving the longest agreements for high-Capex technologies, which still need to be competitive in CM auctions to support future security of electricity supply, and is therefore minded to retain the use of Capex thresholds in the CM.

As per the proposal, the government will be updating the reference cost level for the 3-year threshold to link an OCGT at £135/kW (in CM year 2021/22). This threshold will continue to be linked to inflation in line with the established practise.

Government is further consulting on changes to the 3-year refurbishment threshold in a separate Capacity Market consultation. This proposal is outlined in Section 4.2 of the Capacity Market Consultation on proposals to maintain security of supply and enable flexible capacity to decarbonise<sup>5</sup>.

## Total project spend

As part of the Phase 1 consultation, the government consulted on the proposal to amend the definition of 'Total Project Spend' so the window to account for Capex costs for Refurbishing CMUs is aligned with that of new build CMUs, to cover a period of 77 months prior to the commencement of the first Delivery Year. This is to enable Refurbishing units to capture their full Capex costs, recognising that some refurbishments are as complex and intensive, as building new capacity units. A further rationale for this proposal is that it may help encourage more projects coming forward as capacity looks to decarbonise in the future (i.e. retrofitting unabated gas plant to fire hydrogen), including costly and complex refurbishment projects.

### **Policy Response**

In line with the majority view of responses as part of the Phase 1 consultation, the government intends to implement this proposal to amend the definition of Total Project Spend.

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<sup>5</sup> Available at: <https://www.gov.uk/government/consultations/capacity-market-proposals-to-maintain-security-of-supply-and-enable-flexible-capacity-to-decarbonise>

## Projects with long build times

Section 6.3 of the Phase 2 consultation outlined the participation challenges faced by projects with long build times and proposed implementing two new options alongside the existing long stop date provisions (Questions 12 to 18):

- **Declared (12-month) long stop date** - This would enable a Prospective Generating CMU to benefit from a total of up to 12 months additional construction time (as allowed for by the existing long stop date) and declare at prequalification its intent to deliver from the start of the second Delivery Year. This would not be compulsory, and a CMU which does not submit a declaration would still be able to benefit from existing long stop date provisions.
- **Declared additional (24-month) long-stop date** - This would enable a Prospective Generating CMU to benefit from a total of up to 24 months additional construction time and declare at prequalification its intent to deliver for the start of the third Delivery Year. Access to the Declared Additional (24-month) long stop date would only be available through declaration at prequalification.

To maintain capacity and security of supply, low carbon refurbishing assets as well as new build assets would be able to utilise the new options.

The consultation outlined options for minimising potential security of supply risks associated with this proposal, including an applicable criteria, prequalification requirements and operational parameters.

### Summary of responses

Most responses were supportive with the proposal to introduce 12- and 24-month Declared Long Stops for low carbon projects with long build times. Supportive responses were of the view that the proposal achieved a suitable balance between supporting such projects and maintaining the current auction design and processes. When asked about any unintended consequences, some responses raised the risks of increased clearing prices and a reduced certainty of capacity availability. A number of responses also urged government to clarify its approach in respect of an appropriate market mechanism for LDES technologies.

Please see the July 2024 Phase 2 Government Response for a full summary of responses.

Policy Response

*Long duration electricity storage (LDES) policy*

The LDES consultation<sup>6</sup> in January 2024 stated that even with reforms, the CM alone is unlikely to be able to offer the required revenues necessary to encourage private investment in developed LDES technologies because of the high upfront capital costs.

Furthermore, question 28 of the LDES consultation sought views on whether cap and floor recipients should be able to participate in other electricity markets, such as the CM. The LDES consultation response published in October 2024 confirmed that cap and floor recipients would be able to participate in the CM<sup>7</sup>.

Ofgem, with support from DESNZ are developing the detailed design of the investment support scheme using the responses received to the consultation.

### *Projects with long build times in the Capacity Market*

To maintain capacity and security of supply it is important to support low carbon new build and refurbishing assets, including those with long build times. The government welcomes the majority support received for these proposals and intends to implement both policies as part of the Phase 2 changes:

- Declared (12-month) long stop date – enabling a Prospective Generating CMU to benefit from a total of up to 12 months additional construction time (as allowed for by the existing long stop date) and declare at prequalification its intent to deliver for the start of the second Delivery Year. This would not be compulsory, and a CMU which does not submit a declaration would still be able to benefit from existing long stop date provisions.
- Declared additional (24-month) long-stop date – enabling a Prospective Generating CMU to benefit from a total of up to 24 months additional construction time and declare at prequalification its intent to deliver for the start of the third Delivery Year. Access to the additional (24-month) long stop date will only be available through declaration at prequalification.

The Rules will include new termination events and termination fees and a requirement to repay capacity payments will be applicable.

To maintain the integrity of the CM, it is important to implement the proposals in a way that minimises potential security of supply risks, as such the government will introduce the applicability, prequalification requirements and operational parameters as consulted on in Section 6.3.2.

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<sup>6</sup> Available at: <https://www.gov.uk/government/consultations/long-duration-electricity-storage-proposals-to-enable-investment>

<sup>7</sup> Available at: <https://assets.publishing.service.gov.uk/media/670660eb366f494ab2e7b57a/LDES-consultation-government-response.pdf>

The government notes that CM Rule 6.7.7 (if applicable) and the existing 120 working days from a Notice of Intention to Terminate provide flexibility in cases of project delay, and that Ofgem is considering the CMAG proposal in relation to Rule 6.7.7.

In addition, government still considers it appropriate to ensure that the use of either the declared 12- or 24-month long stop date would correspond to an agreement being shortened by that time (as is the case with the existing 12-month long stop provision).

However, following feedback from stakeholders, the Declared (Additional) Long Stop will not influence a CMU's role as Price Maker versus as a Price Taker.

As outlined in the consultation, the government will introduce the Declared Additional (24-month) Long Stop Date as an interim measure, for a maximum of 3 years from the date of the proposal's implementation. The policy will be reviewed as appropriate, in line with the evolution of government policy.

## Demand Side Response participation

Questions 19 and 20 of the Phase 2 consultation outlined proposals to reduce participation barriers for Demand Side Response (DSR) CMUs comprised of large portfolios with domestic assets. These proposals were put forward in light of the changing nature of the sector, and to increase participation in the CM by these assets.

The first proposal was to limit the publication of residential addresses on the CM register by only publishing the first half of the postcode – the outward code (e.g. NE1) – and redacting all other address information (street address, town, city, second half of postcode and 6-figure grid reference).

The second proposal included in the consultation aimed at reducing participation barriers for domestic DSR related to component reallocation. It proposed changing the limit on the number of components that can be reallocated within a portfolio, which is currently set at 40, to either this current limit or a new proportional limit set at a certain % of portfolio size (whichever is the higher of the two).

### Summary of responses

Most respondents agreed with the proposal for partial redaction of addresses on the CM registers for domestic DSR components. Supportive responses felt this was a sensible way of addressing the UK General Data Protection Regulation (UK GDPR) risk faced by domestic DSR units. A few respondents suggested that the redaction should be extended to the Meter Point Administration Numbers (MPANs) of assets located at residential premises. The majority of responses to the proposed changes to component reallocation were also in favour. Supportive responses felt this was an appropriate measure to enable larger portfolios to manage their delivery risks. Other responses felt that the proposals didn't go far enough, suggesting the limit should be removed altogether.

Please see the July 2024 Phase 2 Government Response for a full summary of responses.

### **Policy Response**

The government welcomes the majority support received for these proposals and intends to implement both policies.

#### *Residential address redaction*

The government welcomes the feedback from respondents that residential MPANs carry similar data privacy concerns to addresses, and plan to incorporate it by implementing this policy to require the redaction of residential MPANs as well as addresses from CM registers.

Responses who indicated support for a wider review of information collection and storage requirements for DSR in the CM are recognised and the challenges highlighted by these responses shall be taken into consideration in future policy development. However, as these responses also generally agree that the proposed policy would be an improvement on the status quo, the government does not consider that these wider questions need impact its implementation.

The government notes the suggested alternative approach to provide a 4-figure grid reference instead of the outward postal code, however, does not perceive any generalised benefits of this approach over the one consulted on. Therefore, government plans to continue with the policy as originally stated and only publish the outward postal code (e.g. NE1) of residential addresses on the CM register.

#### *Component reallocation*

As outlined in the consultation, the government plans to implement the proportional limit as a means to allow larger portfolios to handle expected levels of customer churn and maintain the ability to meet their contracted capacity.

The government appreciates the views from the few respondents who felt that there should be no limit at all on component reallocation, however, this will not be pursued at this time due to the concerns around governance and administration raised in many of the responses, but views will be incorporated into future policy development.

Responses which raised the importance of considering the specific needs of non-supplier providers are noted and will be carefully considered when implementing these policies.

The government has considered at length what to set as an appropriate % limit for reallocation. Based on the suggestions provided, and the need to balance the concerns outlined above, government has decided to settle on 20% as an appropriate level. As proposed in the consultation, the government will be implementing it to allow DSR CMUs to reallocate up to the current limit of 40 components, or 20% of their portfolio size

(whichever is higher). This means that there will be no changes for DSR CMUs with less than 200 components.

#### *Call for Evidence on Demand Side Response Generating Technology Classes*

As outlined in the July 2024 Government Response, the government welcomed the evidence provided in response to the Call for Evidence on changing the GTC for DSR. The government intends to review this question further to put forward specific policy proposals for how to change the GTC, using the responses provided to help inform a decision.

## Extended Years Criteria

The Extended Years Criteria is defined in Rule 8.3.6B, which states that Prospective Generating CMUs must detail the extent of the works, meet apparatus requirements, and confirm that the expected lifespan of the project will exceed 15 years from the point of the first Delivery Year, as well as additional requirements for certain technologies. Prospective Generating CMUs must declare intentions to follow this requirement, as well as Total Project Spend, to be eligible to prequalify for a 15-year agreement.

Question 21 in the Phase 2 consultation outlined the proposed changes to the Extended Years Criteria, in the CM Rules to clarify the requirement to replace a turbine, with stakeholders asked for their view on the proposed changes and any unintended consequences.

### Summary of responses

Most respondents agreed with the proposed changes to the Extended Years Criteria, expressing the view that the amendment would better reflect the range of technologies and projects participating in the CM.

Please see the July 2024 Phase 2 Government Response for a full summary of responses.

#### **Policy Response**

In line with the majority view of respondents, the government intends to progress the amendments to CM Rule 8.3.6B(a).



# Decarbonising the Capacity Market

## Publishing Capacity Market emissions data

Question 23 of the Phase 2 consultation outlined the proposed amendments to the CM Rules to publish the fossil fuel emissions data, as part of efforts to improve transparency in the CM as it transitions to net zero.

### Summary of responses

While there was agreement with the majority of respondents on the principles of the proposal to publish carbon emissions data to improve transparency in the CM, a number of concerns were raised around data accuracy and commercial sensitivities. There were also questions about how the CM register would be maintained in a way that accurately reflects efforts to improve efficiency or decarbonisation.

Please see the July 2024 Phase 2 Government Response for a full summary of responses.

### Policy Response

The government welcomes feedback from the respondents. After carefully considering the responses and taking into account previous commitments to implement the policy, and acknowledging the importance of supporting green taxonomy, the government is committed to making this data available for investors, policymakers and the public. This is an important step to help facilitate the transition to net zero.

To prevent undue administrative burden and ensure a proportionate mode of delivery, the government intends to publish via a separate Emissions section of the CM register 'the CM Emissions Chapter', which will be updated quarterly, as opposed to the weekly updates of the main body of the CM register. This is because emissions data is not expected to change as frequently as the data in the main CM register and it would therefore create a disproportionate administrative burden on the Delivery Body to update it with the same regularity. The CM Emissions Chapter will include identifying information to enable third parties to combine it with main CM register as required, and there will remain an option of requesting corrections and the most up to date data with the same turnaround timings as with the data on the main register.

The government intends to publish the below additional information on CM applicants who secure an agreement via the CM Emissions Chapter:

- The Fossil Fuel Emissions declared by the Applicant/Capacity Provider for each Component (over 1MW), including both emissions for components and the figure for total emissions for the Capacity Market Unit (CMU); (*The CMU-level figure will be automatically calculated by the Delivery Body from the component data in each CMU's Exhibit ZA using a weighted average formula which will be set out in the CM Rules*).



- Where applicable, the Fossil Fuel Yearly Emissions declared by the Applicant/Capacity Provider for each Component (over 1MW);
- All fuels used to generate electricity as declared within the Fossil Fuel Emissions Declaration (FFED), and;
- Where applicable, whether the Combined Heat and Power (CHP), Carbon Capture Utilisation and Storage (CCUS) or Mixed Fuels formulae were applied. For mixed fuels, a list of fuels listed against individual CMU components, with a primary fuel for the CMU as a whole.

In acknowledgement of the possibility of other formulae being used, as outlined in Schedule 8 of the Capacity Market Rules, the CM emissions register will explicitly indicate what formula has been employed. Any question as to whether any of the prescribed formulae outlined in the Rules should be revised is beyond the scope of this consultation.

To enhance the robustness of the emissions limits framework and bolster transparency, the Delivery Body will only publish emissions data (fossil fuels) which has been independently verified and will make a note of the verifier selected paragraph 1(b) in Part 9 of the Exhibit ZA.

If a CMU submitted a verified Fossil Fuel Emissions Declaration (FFED) for the 2023 prequalification and chose to rely on the same FFED in this year's prequalification process, the previously submitted data will be published as part of this policy.

The prequalification process that will begin in 2024 for the auctions in 2025 will be the first in which all Applicants are required to submit a FFED in which the calculation of the calculations of their emissions has been certified by an independent accredited verifier in order to prequalify. Government, therefore, considers that this is the right time to add emissions data that are accessible in the CM Emissions Chapter.

The government will also work with the Delivery Body to ensure that potential limitations of the data is clearly caveated on the CM Emissions Chapter. The first iteration of the CM Emissions Chapter is expected to be produced after the result of the 2025 auctions are announced.

While the government has noted the concerns pertaining to commercial sensitivities and use of the data to inform delivery years or auction qualification, the government believes that the benefits of publishing emissions data continue to justify the policy. The CM regime is already highly transparent in many ways, and the register contains a great deal of data about individual CMUs and their components.

Robust carbon monitoring and reporting is important for ensuring that electricity markets are aligning with net zero. The publication of emissions data on the CM Emissions Chapter provides valuable information for investors, industry, policy makers and the public, and would support the monitoring of policy impacts on our pathway to a decarbonised power sector.

## Capacity Market: Phase 2 Remaining Policy Decisions – Policy Update

This publication is available from: <https://www.gov.uk/government/consultations/capacity-market-2023-phase-2-proposals-and-10-year-review>

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