



Department for  
Energy Security  
& Net Zero

# Capacity Market

Proposals to modernise Capacity Market Rules and improve participation and delivery assurance of consumer-led flexibility.

Closing date: 17 February 2025



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# 1. General information

## 1.1. Why we are consulting

The security of our electricity supply is key to the successful delivery of the Clean Energy Superpower Mission and one of its key pillars - clean power by 2030. In this consultation we are seeking views on proposed changes to the Capacity Market (CM) to improve the accessibility and clarity of the CM Rules. We are also proposing changes to reduce administrative burdens for CM participants and CM Delivery Bodies, with the aim of improving participation and delivery assurance of consumer-led flexibility<sup>1</sup>. These proposed changes complement the broader strategic questions considered through the Review of Electricity Market Arrangements.

## 1.2. Consultation details

**Issued:** 16 December 2024

**Respond by:** 17 February 2025

**Enquiries to:**

Electricity & Market Arrangements

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**Consultation reference:** Capacity Market: Proposals to modernise Capacity Market Rules and improve participation and delivery assurance of consumer-led flexibility.

**Audiences:** The government is seeking views from the energy industry, consumer groups, academia, think tanks and other organisations who have an interest in security of supply and decarbonisation.

**Territorial extent:** Great Britain. The Capacity Market is in place across Great Britain. Energy is a devolved matter for Northern Ireland.

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<sup>1</sup> These voluntary offers of flexibility by energy consumers (whether households or industries) can also be referred to as 'Demand Side Response' (DSR) or 'Demand Side Flexibility'.

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## 1.3. How to respond

We strongly encourage respondents to make use of the online platform, wherever possible, when submitting responses as this is the government's preferred method. This method also allows you to submit a single combined response to both this consultation and the associated Call for Evidence referred to below, should you wish to respond to both. Alternatively, responses in writing or via email will also be accepted.

To ensure your response is most effective in aiding government policy development, it is crucial that responses are framed as direct responses to the questions posed, supported by evidence where possible.

When responding, please state whether you are responding as an individual or representing the views of an organisation.

**Respond online at:** <https://energygovuk.citizenspace.com/energy-security/capacity-market-rulesmodernisation-and-clf>

## 1.4. Confidentiality and data protection

Information you provide in response to this consultation, including personal information, may be disclosed in accordance with UK legislation (the Freedom of Information Act 2000, the Data Protection Act 2018 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please tell us, but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

We will process your personal data in accordance with all applicable data protection laws. See our [privacy policy](#).

We will summarise all responses and publish this summary on [GOV.UK](#). The summary will include a list of names or organisations that responded, but not people's personal names, addresses or other contact details.

## 1.5. Quality assurance

This consultation has been carried out in accordance with the government's [consultation principles](#).

If you have any complaints about the way this consultation has been conducted, please email: [bru@energysecurity.gov.uk](mailto:bru@energysecurity.gov.uk).

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## 2. Executive Summary

Making Britain a Clean Energy Superpower is one of the Prime Minister's five defining missions. There are two parts to this mission: delivering clean power by 2030 and accelerating delivery of net zero. The security of our electricity supply will be key to delivering this mission.

Achieving clean power by 2030 will mean we will rely increasingly on a renewables-led system as a foundation for a decarbonised grid. The government will work with the private sector to accelerate the deployment of low carbon technologies. We will invest in clean generation technology and ensure the country has the energy storage it needs. Investing in clean energy at speed and scale can help tackle the climate crisis, create jobs and is the best route to protect billpayers and ensure energy security.

The government has also set up Great British Energy, a publicly owned energy company, designed to drive clean energy deployment, boost energy independence, create jobs and ensure UK taxpayers, billpayers and communities reap the benefits of clean, secure, home-grown energy.

The government has routinely made changes to the Capacity Market (CM). These reflect changing circumstances and developments, ensuring it remains fit for function and continues to deliver its primary objective of delivering security of supply whilst supporting wider government priorities. The government is seeking views on a series of changes to the CM that aim to:

- Ensure the continued accessibility and modernisation of the CM by proposing policy clarifications and CM Rule amendments and revocations.
- Streamline processes related to consumer-led flexibility, delivered by Demand Side Response mechanisms participating in the CM, to increase assurance of delivery through reducing administrative requirements on CM participants and CM Delivery Bodies.

Alongside this consultation, the government has simultaneously published a Call for Evidence (CfE) (See Capacity Market: Consumer-led flexibility<sup>2</sup>) that builds upon proposals from the CM Phase 2 CfE published in 2023<sup>3</sup>. This CfE is seeking views and evidence for several potential proposals aimed to improve how consumer-led flexibility, currently delivered by Demand Side Response mechanisms participating in the CM, is categorised and operates to ensure it reflects market conditions.

The government has also published the 10-year review of the CM<sup>4</sup>. This second statutory five-year review (2019-2024) of the CM, referred to as 'the 10-year review', takes a backwards-looking approach to analysing the performance of the CM against its original objectives. The review found that the CM has been effective in meeting its objectives, the findings will inform the broader strategy to ensure energy security and move towards making Britain a Clean Energy Superpower.

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<sup>2</sup> Department for Energy Security and Net Zero, December 2024, [Call for Evidence: Consumer-led flexibility](#)

<sup>3</sup> Department for Energy Security and Net Zero, October 2023, [Capacity Market 2023: Phase 2 proposals and 10-year review](#)

<sup>4</sup> Department for Energy Security and Net Zero, December 2024, [Capacity Market: 10-year review \(2019-2024\)](#)

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This consultation compliments existing programmes to support security of supply and deliver clean power by 2030:

- In October 2024, the government published a CM consultation<sup>5</sup> and CfE<sup>6</sup> seeking views on proposed changes to the CM. Changes would retain the flexible generation capacity required to ensure the security of our electricity supply and to support the conversion of unabated gas plants to low carbon technology.
- In October 2024, the government published a policy update on the 2023 CM Phase 2 consultation<sup>7</sup>, looking at proposed changes to the scheme to strengthen security of supply and accelerate investment in low carbon technologies.
- In December 2024, the government published a summary of responses to the second Review of Electricity Market Arrangements (REMA) consultation<sup>8</sup>, which was published in March 2024. Alongside this, the government published an update on REMA<sup>9</sup> which sets out progress since March on the options being considered for longer-term electricity market reform as well as clarity on next steps for decision making.
- In December 2024, the government published the Clean Power 2030 Action Plan: A new era of clean electricity<sup>10</sup>, setting out how we will deliver clean power in Great Britain<sup>11</sup>. In doing this we will tackle three major challenges: the need for a secure and affordable energy supply; the creation of essential new energy industries, supported by skilled workers in their thousands; and the need to reduce greenhouse gas emissions and limit our contribution to the damaging effects of climate change.

### 3. Introduction

Reliable energy supplies are fundamental for the economy, society and public services. Since its introduction in 2014, the Capacity Market (CM) has secured sufficient capacity to ensure consistent and reliable electricity generation. The CM has complemented the deployment of renewable and low-carbon energy by ensuring electricity security of supply in Great Britain (GB).

As we seek to deliver the Clean Energy Mission and - as a core part of this mission - clean power by 2030, renewables will make up a larger proportion of total capacity. The variable nature of renewables makes it critical that there is a significant amount of flexible capacity available to be deployed when renewable generation is reduced (for instance, on still, dark winter days). The National Energy System Operator estimates that the electricity system in

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<sup>5</sup> Department for Energy Security and Net Zero, October 2024, [Capacity Market: Proposals to maintain security of supply and enable flexible capacity to decarbonise](#)

<sup>6</sup> Department for Energy Security and Net Zero, October 2024, [Capacity Market: Call for Evidence on proposals to maintain security of supply and enable flexible capacity to decarbonise](#)

<sup>7</sup> Department for Energy Security and Net Zero, October 2024, [Capacity Market Policy Update 2023 Phase 2 Consultation](#)

<sup>8</sup> Department for Energy Security and Net Zero, March 2024, [Review of Electricity Market Arrangements: summary of responses to the second consultation](#)

<sup>9</sup> Department for Energy Security and Net Zero, December 2024, [Review of Electricity Market Arrangements: Autumn update](#)

<sup>10</sup> Department for Energy Security and Net Zero, December 2024, [Clean Power 2030 Action Plan](#)

<sup>11</sup> Energy Policy is largely devolved to the Northern Ireland Executive (NIE).

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Great Britain could require 30 to 40GW of short duration flexible capacity and 40 to 45GW of long duration flexible capacity in 2030 to ensure security of supply.<sup>12</sup>

Consumer-led flexibility enables energy consumers in domestic, commercial and industrial settings to voluntarily adjust their electricity usage to reduce demand during peak times and get lower bills as a result. It utilises technologies such as electric vehicle charge points, heat pumps and behind-the-meter storage. By reducing electricity demand during peak times, consumer-led flexibility decreases the need for additional generation and network infrastructure. This contributes to achieving clean power in a cost-effective way, improving the efficiency of the electricity grid to lower system costs and delivers savings to all consumers.

Markets act as a fundamental cornerstone of the electricity system in Great Britain (GB). Competitive markets have driven innovation and brought benefits to consumers in the way energy is delivered and consumed. Underpinning market structures and governance arrangements have played a role in facilitating the transition towards a low carbon energy system, brought forward new generating capacity and enabled consumer-led flexibility.

The Capacity Market (CM) is at the heart of the government's strategy for ensuring security of electricity supply in GB. It is a technology neutral scheme in which existing and new-build electricity capacity (categorised by Generating Technology Classes covering generation, interconnectors, Demand Side Response and other technologies) compete in auctions to obtain agreements under which they commit to delivering capacity when needed, in return for guaranteed payments. Contracts secured under CM auctions provide revenue streams which support investment in electricity capacity which in turn ensures security of supply.

The government is consulting on proposed changes to the CM that are intended to modernise existing CM Rules and improve participation and delivery assurance of consumer-led flexibility. Depending on the responses received to this consultation and subject to parliamentary time, the government aims to implement these proposals, set out below, before prequalification in 2025.

## **CM Rules Modernisation**

- Enabling Capacity Market Units (CMUs) to change their opt-out status following a change in operational circumstances. One of the reasons that a mandatory CMU can 'Opt-out' of an upcoming T-4 auction is if it will be retired in the Delivery Year that the auction is being held. Our proposal aims to clarify policy intent regarding the ability of these units to change this status and take part in future T-1 auctions if operational circumstances have changed and the CMU is able to keep running for longer than previously expected.
- Clarifying the policy intent that CMUs cannot change their Generating Technology Class (GTC) after Prequalification.
- Seeking to clarify powers of the Delivery Body when an application would not prequalify if it was viewed afresh after Prequalification Results Day but before the First Bidding Round for the relevant auction.
- Improve the accessibility of the CM Rules through the revocation of Rules on Transitional Arrangements, which governed arrangements put in place to facilitate the delivery of DSR and smaller non-Central Meter Registration Service (CMRS) distribution

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<sup>12</sup> National Energy System Operator, November 2024, Clean Power 2030: [Advice on achieving clean power for Great Britain by 2030](#)



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CMUs prior to the Delivery Year of the first full Capacity Auction, and Coronavirus arrangements.

- Amending an error which has entered the Rules following previous changes in which an Exhibit cross-references another Rule that does not exist.
- An extension to enable mothball plants to apply for 2025 prequalification for auctions held in 2026.

### **Improving participation and delivery assurance of consumer-led flexibility**

Consumer-led flexibility in the Capacity Market is delivered by Demand Side Response (DSR) mechanisms. The proposals aim to:

- Better facilitate applications from large aggregated domestic portfolios by allowing the collation of similar components into a single business model entry. This is instead of submitting a separate business model for each individual component within a portfolio, as under current CM Rules.
- Introduce a separation period between (i) the DSR Test Period, and (ii) Notifying DSR components and Metering Assessment and Metering Tests. A separation period will better allow CM Delivery Partners<sup>13</sup> to complete validation processes.
- Allocate a £5,000/MW termination fee for failure to provide a DSR test certificate. The proposed allocation of a fee to an existing Termination Event is designed to improve delivery assurance by incentivising the delivery of capacity agreements without improving excessive barriers to market entry.

Alongside this consultation, the government is simultaneously conducting a Call for Evidence (CfE) to inform future changes to the CM (see Capacity Market: Consumer-led flexibility<sup>14</sup>). The government is seeking views and evidence to consider improvements for how consumer-led flexibility, delivered by Demand Side Response mechanisms, is categorised and operates within the CM to ensure it reflects market conditions, building upon proposals from the CM Phase 2 CfE published in 2023<sup>15</sup>.

The government encourages respondents to review both the consultation and the CfE in tandem (a single, combined response can be made using the online platform). **Please note that the executive summary and introductions are duplicative across the documents. When reading the CfE you can skip forward to section 4 if you have already read this document.**

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<sup>13</sup> Guidance on Roles and responsibilities under the Capacity Market:

<https://www.gov.uk/government/publications/roles-and-responsibilities-under-the-capacity-market>

<sup>14</sup> Department for Energy Security and Net Zero, December 2024, [Call for Evidence: Consumer-led flexibility](#)

<sup>15</sup> Department for Energy Security and Net Zero, October 2023, [Capacity Market 2023: Phase 2 proposals and 10-year review](#)

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## 4. Capacity Market Rules Modernisation

The Capacity Market (CM) Rules provide the technical detail for implementing the operating framework set out in the Electricity Capacity Regulations 2014 (“The Regulations”), which is the legislation underpinning the scheme<sup>16</sup>. The Rules are frequently amended, to improve them and to reflect the changing landscape in which the scheme operates. The government is proposing changes to several Rules identified that can be clarified, improved or removed.

The CM Rules Modernisation proposals aim to improve accessibility of the CM Rules and provide clarifications to protect future security of supply. Proposals include enabling Capacity Market Units (CMUs) to change their Opt-out status following a change in operational circumstances. There is also a proposal to extend the temporary amendment for mothball plants to allow them to apply for 2025 prequalification for auctions held in 2026. The proposals also seek to clarify that CMUs cannot change their Generating Technology Class (GTC) after Prequalification. There is also a proposal to improve the accessibility of the Capacity Market Rules through the deletion of CM Rules on Transitional Arrangements and Coronavirus arrangements.

### 4.1. Changes to Opt-out status

All Mandatory CMUs must participate in the CM Auctions or submit an Opt-out Notification. A CMU that opts out because it will be non-operational under Rule 3.11.2(f)(i) becomes ‘Retired’ for that Delivery Year. A Retired CMU is excluded from entering auctions for two subsequent Delivery Years following the Delivery Year it retired for, under the definition of “Excluded CMU”.

This was introduced to deter speculative behaviour and provide greater certainty for modelling purposes, such as setting future Auction targets.

The government recognises that information allowing a change of operational status may become available after the time when the initial Notification is submitted and before the Delivery Year for which the unit was retired for, that extends a unit’s operability. If this new information renders the initial Opt-out factually inaccurate, Capacity Providers can request a change in the Opt-out status with the Delivery Body (DB).

### 4.2. Proposal

The government proposes amending CM Rule 3.11 to clarify that units previously opted out as Retired can participate in CM auctions if they can remain operational due to new information that was not available or was not present at the time of the original Opt-out notification.

This rule would require Capacity Providers to provide a Directors’ Declaration detailing the new information that has become available which allows them to continue operating as part of the process for changing status from retired to operational.

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<sup>16</sup> The Electricity Capacity Regulations 2014: <https://www.legislation.gov.uk/ukdsi/2014/9780111116852/contents>

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The government proposes that the Declaration contains:

- A summary of the initial reasons for the Opt-out Notification, and a summary of the change in operational status and how and the evidence for the change has now become available (together, a 'Summary Statement').
- Confirmation that the evidence for the change was not available at the time of the initial Opt-out Notification.

For the first Delivery Year where a unit would have been treated as an Excluded CMU before the change in Opt-out status, the Declaration to change that status will be considered as a part of the Application and subject to Rule 3.12.1.

**Question 1: Do you agree with the proposed amendment to Rule 3.11 to introduce a Directors' Declaration and Summary Statement to enable a Capacity Market Unit to change their Opt-out status when new operational information is available? Please provide reasons with your answer.**

**Question 2: Do you agree that the Directors' Declaration to change Opt-out status should be treated as part of the Application to prequalify for the first Capacity Auction that the Unit would have been excluded for if no change of status was made? Please provide reasons with your answer.**

**Question 3: Do you think that any additional information or supporting evidence should be provided in addition to the Directors' Declaration and Summary Statement to allow a Capacity Provider to change its Opt-out status and participate in CM auctions? Please detail these and provide reasons with your answer.**

## 4.3. Clarifying acceptable updates to the Capacity Market Register

Rule 7.5.1(ra) requires the Delivery Body (DB) to update the CM Register to record any change to Primary Fuel Type or Generating Technology Class (GTC).

However, Rule 4.4.4 states that the "configuration" of a CMU cannot be changed, and we acknowledge that this may create confusion when read alongside Rule 7.5.1(ra). Rule 4.4.4 exists to protect security of supply. This is supported by Ofgem, which previously ruled the GTC is "an aspect of the configuration of a Generating Unit"<sup>17</sup> during a case in which it upheld the DB's decision to not allow a prequalified CMU to change from a gas-fired unit to a storage unit.

Rule 7.5.1(ra) states that the DB "must" update the CM register to record any change in the Primary Fuel Type or GTC of a Generating CMU. However, Capacity Providers are not permitted to alter the "configuration" of their CMUs under Rule 4.4.4.

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<sup>17</sup> Available at [https://www.ofgem.gov.uk/sites/default/files/docs/2017/07/determination\\_pgp12l\\_110717.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2017/07/determination_pgp12l_110717.pdf)

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## 4.4. Proposal

The government proposes an amendment to the Rules to clarify that a Capacity Market Unit's (CMU) Generating Technology Class (GTC) cannot be changed once a unit has been prequalified. This will provide greater certainty as to what changes to the CM Register can be made through 7.5.1(ra).

The government had also considered altering the word "must" in Rule 7.5.1, but identified potential unintended consequences from making this change as it would also impact the other sub-provisions of the Rule. A further option of adding a caveat to the Rule to state that the GTC of a CMU can only change if it poses no risk to security of supply was also discounted, as it would have put this decision in the hands of the Delivery Body, which the government did not think was appropriate.

**Question 4: Do you agree with the proposed amendment to Rule 7.5.1(ra)? Please provide reasons with your answer.**

**Question 5: Do you think that the proposed change to Rule 7.5.1(ra) will have any unintended consequences? If so, please provide details.**

## 4.5. Clarification of decision-making powers of the Delivery Body

Under Rule 4.4.3A, where the Delivery Body (DB) becomes aware that prior to the commencement of the first bidding window of the relevant CM Auction, but after the relevant Prequalification Results Day, information submitted by the Applicant did not comply with Rule 3.12.1, the DB should no longer prequalify that unit.

The government is aware that there may be instances after a Capacity Market Unit (CMU) is prequalified where a circumstance arises where the Application is no longer accurate, putting it in breach of these Rules. The government believes that if a Prequalified CMU would become in breach of Rule 3.12.1 if the application was considered afresh before the First Bidding Round, it should no longer be prequalified for the relevant Capacity Auction.

## 4.6. Proposal

The government proposes amending Capacity Market Rule 4.4.3A such that if the Delivery Body (DB) becomes aware that an Application would no longer comply with the requirements of Rule 3.12.1 if it were considered afresh, the DB should no longer prequalify the unit. This aligns with our intent that only units which have met all the requirements to take part in the Auctions, can take part in the Auctions. This aligns with Rule 4.4.3AB and 4.4.3AC which already follow this principle.

**Question 6: Do you agree with the proposal that the Delivery Body should not prequalify units when they become aware that the unit would not prequalify if the Application was considered afresh before the First Bidding Window? Please provide reasons for your answer.**

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**Question 7: Do you think that this proposed clarification to Rule 4.4.3A will have any unintended consequences? If so, please provide details.**

## 4.7. Removal of unnecessary Chapters and Rules

Many Capacity Market (CM) Rules that are added or amended are time-bound to reflect the changing landscape in which the scheme operates. Several of these Rules are now redundant because sufficient time has elapsed that means they no longer impact ongoing agreements, or else have been superseded. This includes Rules that govern changes to the scheme made during the Covid-19 pandemic and Transitional Capacity Auctions.

To streamline the CM Rules and improve accessibility, we propose to remove these redundant Rules and Chapters.

## 4.8. Proposal

The government is proposing to remove Chapters 11, 16 and 18 in their entirety (alongside the associated terms in the definitions) as they are no longer relevant.

Chapter 11 governs the arrangements that were put in place to progressively facilitate the delivery of Demand Side Response, and smaller non-Central Meter Registration Service Capacity Market Units (CMUs) during Delivery Years prior to the Delivery Year for the first full Capacity Auction. The chapter applies to the “Transition Period”, which was the 2016/17 and 2017/18 Delivery Years, with the auctions themselves known as “Transitional Capacity Auctions”. As a result, it is out of date and is no longer relevant.

The government is also proposing to remove paragraph 75 from Schedule 7, as it references “Transitional Agreements” in Chapter 11.

Chapter 16 modifies the application of rules in respect of “Conditional Capacity Agreements” and “Conditional Capacity Auctions”, which are no longer in effect. Other sections of the Chapter modify the rules for the T-1 Auction for delivery in 2019-2020, which no longer has any existing agreements.

Chapter 18 modifies the CM rules to consider the effect that Coronavirus had on the ability of Capacity Providers to meet certain requirements. There are no rules in this chapter that are still valid.

Additionally, the government is proposing to remove 3.10A and 4.5.1(b)(iva) which reference “Supplementary Auctions”, which are also out of date. Rules 6.10.1(ea), 6.10.1(fa), 7.4.1(d)(vii)(ee), 7.4.1(d)(vii)(ff), 7.4.5 (ka), 8.3.1(c), 8.3.1(d) and 9.2.6(e)(vi) all refer to 3.10A so will either be removed or rewritten.

The government is also proposing the removal of 4.5ZA as it is out of date, alongside 7.5(x) which references it. Rule 4.5ZA.1 governs any amendments to Generating Technology Classes (GTCs) made by the Secretary of State following the close of the Prequalification Window for a Capacity Auction held in the 2017/18 Auction Window, so is no longer relevant as it only applies to the specified Auction Window.

The government also propose to remove Rules 3.6.5(d), 3.6.7, 3.9.5(d) and 3.9.7 as they are no longer relevant.

The government also propose to remove Rules 4.5.1(iv), 17.4, 17.5 and 17.6 due to them referencing Delivery Years which have now passed.

Alongside the removal of these Rules, the government is also proposing to remove the definitions of “Conditional Agreement Auction”, “Conditional Capacity Agreement”, “Transitional Capacity Auction”, “Second Transitional Capacity Auction”, “T-1 auction for the Delivery Year commencing on 1 October 2019”, “Transition Period”, “Subsequent Capacity Auction”, “Subsequent T-1 Auction”, “Subsequent T-4 Auction”, and “Subsequent Credit Cover”, as they are all no longer relevant.

The government is also proposing to remove references to Coronavirus from Regulation 33, and any other redundant references in the Regulations identified following a more detailed review.

**Table 1: Chapters and Rules the government is proposing to remove or rewrite (alongside others identified following detailed review)**

Category	Chapters and Rules being removed or rewritten
Transition Period and Transitional Capacity Auction	To remove: Chapter 11 Paragraph 75 in Schedule 7 Definitions of “Transition Period”, “Transitional Capacity Auction”, “Second Transitional Capacity Auction” and others.
Conditional Capacity Auctions and Agreements	To remove: Chapter 16 Definition of “T-1 auction for the Delivery Year commencing on 1 October 2019” and others.
Coronavirus arrangements	To remove: Chapter 18
Supplementary Auctions	To remove: Rule 3.10A Rule 4.5.1(b)(iva)

Supplementary Auctions	<p>To amend to remove references to 3.10A:</p> <p>Rule 6.10.1(ea)</p> <p>Rule 6.10.1(fa)</p> <p>Rule 7.4.1(d)(vii)(ee)</p> <p>Rule 7.4.1(d)(vii)(ff)</p> <p>Rule 7.4.5 (ka)</p> <p>Rule 8.3.1(c)</p> <p>Rule 8.3.1(d)</p> <p>Rule 9.2.6(e)(vi)</p>
2017/18 Capacity Auctions	<p>To remove:</p> <p>Rule 4.5ZA</p> <p>Rule 7.5.1(x)</p>
First and Second Full Capacity Auctions	<p>To Remove:</p> <p>4.5.1(b)(iv)</p>
Subsequent Capacity Auctions	<p>To remove:</p> <p>Rule 17.4</p> <p>Rule 17.5</p> <p>Rule 17.6</p> <p>Definitions of “Subsequent Capacity Auction” and “Subsequent Credit Cover” and others.</p>
Pre-2024 T-1 Auction Rules (in respect of Fossil Fuel Emissions)	<p>To remove:</p> <p>Rule 3.6.5(d)</p> <p>Rule 3.6.7</p> <p>Rule 3.9.5(d)</p> <p>Rule 3.9.7</p>

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**Question 8: Do you agree with the proposal to remove the Chapters and Rules set out in Table 1? If not, please provide details.**

**Question 9: Do you agree that the word “following” in 4.5ZA refers only to changes to Generating Technology Class in the 2017/18 auctions rather than to every auction since that point and that the rule is therefore obsolete? If not, please provide an explanation.**

**Question 10: Do you think the proposed changes will have any unintended consequences or alter other Rules not mentioned in the consultation? If so, please provide details.**

**Question 11: Are there any other additional redundant Rules or Chapters that you believe the government should also consider removing due to them no longer being applicable?**

## 4.9. Correction of an Error

The government has identified a drafting error in the Rules.

Exhibit ZA is the fossil fuel emissions declarations that some Capacity Market Units (CMUs) are required to submit under the Rules. However, in the form it cross-references Rule 3.15.6(b), which does not exist. This should reference 3.17.1(b) instead to ensure the Rules are factually accurate and remove confusion.

## 4.10. Proposal

The government proposes amending Exhibit ZA, changing the reference to Rule 3.15.6(b) to 3.17.1(b) to ensure that all the references in the Exhibit are correct and accurate.

**Question 12: Do you agree with the proposal to correct the incorrect reference to Rule 3.15.6(b) in Exhibit ZA?**

**Question 13: Do you think the proposed correction to Exhibit ZA will have any unintended consequences or alter other Rules not mentioned in the Consultation? If so, please provide details.**

**Question 14: Are there any other Rules which you think contain drafting errors that you believe the government should also consider addressing by way of Rules amendments?**

## 4.11. Mothballed Plant

As referred to in previous consultations in 2022 and 2023, government are aware that Rule 3.6.1(a) may prevent Existing Generating CMUs, which have been mothballed for more than 24 months prior to the end of the Prequalification Window, from prequalifying for the auctions.

Rule 3.6.1(a) provides that, in relation to Previous Settlement Period Performance that an Existing Generating CMU must identify three Settlement Periods from the 24 months prior to the Prequalification Window in which the CMU delivered a net output equal to or greater than its Anticipated De-Rated Capacity, and to report the operational data for each of those



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Settlement Periods. The policy intent of Rule 3.6.1(a) is to ensure that the Existing Generating CMU's capacity is real and able to provide delivery assurance.

In 2022, the previous government made temporary amendments to the Rules to enable mothballed Existing Generating CMUs to apply for prequalification for the 2023 auctions without running for three Settlement Periods prior to the end of the Prequalification Window. This was done with a view to improving auction liquidity in the 2023 auctions in light of the broader security of supply challenges following Russia's illegal invasion of Ukraine.

This temporary measure has been extended annually since 2022 to enable greater liquidity in Capacity Market Auctions.

## 4.12. Proposal

We propose an extension of the temporary amendment, as previously implemented, which allows Existing Generating CMUs to demonstrate performance using operational data from the most recent 24 months of operation if there is no data from the 24 months of operation prior to the closure of the Prequalification Window. If this measure were to be implemented, it would be done through a time-limited modification to the CM Rules, in particular Rule 3.6.1(aa), meaning the change would apply to 2025 prequalification for the auctions in 2026. We will continue to develop policy as necessary.

**Question 15: Do you agree with the proposed temporary rule change to operational requirements for Existing Generating CMUs which are mothballed? Does this proposal create any unintended consequences?**

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## 5. Consumer-led flexibility via Capacity Market ‘Demand Side Response’ mechanisms

Consumer-led flexibility involves voluntary actions taken freely and directly by energy consumers to shift their electricity use. This includes residential customers using smart technologies such as smart-charging EVs and heat pumps, as well as Industrial and Commercial units adjusting demand and utilising behind-the-meter generation or storage. This enables consumers to be rewarded with cheaper electricity by flexibly adjusting their usage to times of lower demand on the grid.

Within the Capacity Market, consumer-led flexibility is delivered via ‘Demand Side Response’ mechanisms. These allow consumers to be further rewarded through Capacity Payments made via ‘Demand Side Response Service Providers’ (DSRSPs) who act on the consumer’s behalf to reduce electricity demands on the grid at peak times. The financial benefits of flexibility on offer to consumers reflect the benefits to the wider electricity system, which in turn benefits all consumers.

Under the previous government, the recent T-1 (2024/25) and T-4 (2027/28) CM auctions awarded 0.75GW and 1.3GW of de-rated capacity to Demand Side Response units respectively<sup>18</sup>. This equates to 10% of total auction capacity in the T-1 for delivery years 2024/25 and 3% in the T-4 for delivery years 2027/28.

For the CM to support the government’s Clean Power mission, appropriate frameworks, structures, and incentives need to be in place to appropriately reflect and capture the potential of consumer-led flexibility. This includes access to relevant markets. The CM provides one such market mechanism into which consumer-led flexibility technologies and portfolios can bid and operate, simultaneously contributing to the government’s Clean Power mission and the CM’s objective of maintaining security of supply. Successful auction bids to secure CM agreements provide consistent contractual revenue streams based on capacity. Meanwhile, participation in alternative grid services derives revenues from delivery fluctuating accordingly.

The government is acting on the recommendations of its Panel of Technical Experts<sup>19</sup> and previous stakeholder advice to consider reforms to the CM with respect to Demand Side Response mechanisms, to enable consumer-led flexibility.

Questions 19 and 20 of the October 2023 CM Phase 2 consultation<sup>20</sup> outlined proposals to reduce participation barriers for Demand Side Response Capacity Market Units 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.

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<sup>18</sup> Capacity Market Register reports are posted weekly by NESO and are available online: <https://emrdeliverybody.nationalenergyso.com/CM/s/cmr#-19>

<sup>19</sup> Department for Business, Energy and Industrial Strategy (Department for Energy Security and Net Zero predecessor), July 2021, [Corporate Report: National Grid ESO Electricity Capacity Report 2021: findings of the Panel of Technical Experts](#)

<sup>20</sup> Department for Energy Security and Net Zero, October 2023, [Capacity Market 2023: Phase 2 proposals and 10-year review](#)

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These proposals focused on limiting the publication of residential addresses on the CM register and component reallocation. The October 2024 policy update<sup>21</sup> outlined that the government has decided to settle on 20% as an appropriate level. As proposed in the October 2023 CM Phase 2 consultation<sup>22</sup>, the government will be implementing the allowance of Demand Side Response Capacity Market Units (CMUs) to reallocate up to the current limit of 40 components, or 20% of their portfolio size (whichever is higher). There will be no changes for DSR CMUs with fewer than 200 components.

Existing processes and terminology in the Capacity Market Rules related to consumer-led flexibility is referred to as Demand Side Response (DSR). The Rules will continue to use the existing terms in respect of DSR. This includes references to DSR Capacity Market Units (CMUs), DSR CMU Components, DSR Tests and DSR Providers. Respondents should note this terminology and the definitions used in the CM Rules when considering policy proposals.

## 5.1. Streamlining requirements for proven DSR Business Model submissions

Under Capacity Market (CM) Rule 3.9.3(a), Proven Demand Side Response (DSR) Capacity Market Units (CMUs) are required to submit a business model which details each DSR CMU component at application. Within the business model the below details are required for each component:

- the type of DSR CMU component;
- a summary of the relationship between the DSR Provider and the DSR CMU component;
- the equipment type installed; and
- the methods of achieving load reduction from that component.

For aggregated DSR portfolios whose components may number in the thousands and whose portfolio component types fall within the same technology class and configuration, current rule structures require a business model to be submitted with an entry per component.

Similar requirements to that of Rule 3.9.3 are contained in Rule 3.10.1 in which applicants of Unproven DSR CMUs must include a business plan as part of their application. Rule 3.10.1 includes the need to set out details of:

- steps taken to acquire DSR capacity and / or contractual DSR control;
- information required for a business model pursuant to Rule 3.9.3 where relationships with DSR providers are already established; and
- strategies to procure further DSR components and supporting information relating to those components.

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<sup>21</sup> Department for Energy Security and Net Zero, October 2024, [Capacity Market Policy Update 2023 Phase 2 Consultation](#)

<sup>22</sup> Department for Energy Security and Net Zero, October 2023, [Capacity Market 2023 Phase 2 proposals and 10 year review](#)

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## 5.2. Proposal

The government has considered requirements which fall upon Demand Side Response (DSR) Capacity Market Units (CMUs) and those of the relevant Delivery Partners in meeting Rules 3.9.3 and 3.10.1. The government considers that a proportionate approach to meeting required assurances for itself and Delivery Partners can be met whilst reducing administrative burdens on DSR CMUs. The government therefore proposes that DSR CMUs should collate identical components under a single business model entry at application. Capacity Providers would still be required to indicate the number of distinct components associated with that single line entry.

As clauses within Rule 3.10.1 make reference to Rule 3.9.3, changes to Rule 3.9.3 would have effect on requirements under Rule 3.10.1.

**Question 16: Do you agree with the proposed amendments to the Rules (including Rule 3.9.3 and 3.10.1) to require similar Demand Side Response Capacity Market Unit components to be collated into a single business model or plan at Application?**

**Question 17: Are there any unintended consequences from the proposed amendments?**

## 5.3. Introduction of a separation period between (i) the DSR Test Period, and (ii) Notifying DSR components and Metering Assessment and Metering Tests

Rule 8.3.2 of the Capacity Market (CM) Rules places requirements on Capacity Providers which have secured an Unproven Demand Side Response (DSR) Capacity Agreement to provide a DSR Test Certificate<sup>23</sup> evidencing a Proven DSR Capacity greater than 1MW by no later than one month prior to the start of the first Delivery Year.

The CM Rules place requirements on Capacity Providers to provide notification of DSR components (Rule 8.3.3A), complete a Metering Assessment and, following the completion of that assessment, may be subject to undertaking a Metering Test (Rule 8.3.3). Capacity Providers, where subject to Metering Tests, must obtain a Metering Test Certificate from the CM Settlement Body. The CM Settlement Body must then notify the Delivery Body within five working days from the date that a Metering Test Certificate has been issued to the Capacity Provider, including confirmation of the date that the Metering Test Certificate was awarded. Dates by which Capacity Providers must be awarded a Metering Test Certificate are two weeks prior to the Delivery Year with regards Unproven DSR CMUs which have secured a single year Capacity Agreement.

The Delivery Body must issue a DSR Test Certificate to the Capacity Provider within 5 working days of receiving settlement metered data from the CM Settlement Body, provided the Capacity Provider did not reject the DSR Test Result.

There is currently no separation and distinction of when the activities described above must be undertaken with respect to T-1 and T-4 auction periods. With increased component numbers contained within aggregated DSR portfolios and in accordance with CM Rules 8.3.3, 8.3.3A

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<sup>23</sup> Processes for obtaining a DSR Test Certificate are found under Rule 13.2 of the Capacity Market Rules <https://www.gov.uk/government/publications/capacity-market-rules>

and 13.2.2, significant processing and validation pressures are placed upon the CM Settlement Body at such intervals.

## 5.4. Proposal

The government proposes the introduction of a separation period between (i) the Demand Side Response (DSR) Test, and (ii) the notification of DSR components and / or the Metering Assessment or Metering Tests.

The separation period will allow for the Delivery Body and Capacity Market (CM) Settlement Body to conduct its processing more efficiently and perform necessary validation activities whilst reducing the risk of capacity bottlenecks.

The government proposes the respective separation periods between (i) and (ii) above will be 10 working days for Capacity Providers with T-1 auction agreements, and 20 working days for Capacity Providers with T-4 auction agreements (Table 3).

**Table 2: Current Rules for the Demand Side Response (DSR) Test, notification of DSR components, and the Metering Assessment**

<b>Current Rules</b>			
	<b>Any time before the deadline</b>	<b>Any time before the deadline</b>	<b>DSR Test deadline</b>
<b>T-1 Auctions</b>	Before the Metering Assessment, the components must be notified to the Delivery Body (8.3.3A).	Before the DSR Test is submitted, Capacity Providers need to provide the Meter Point Administration Numbers (MPANs) to CM Settlement Body (13.2.5(a)) and Metering Solution / Test (13.2.5(b)).	31st August (13.2.2(b))
<b>T-4 Auctions</b>			31st August (13.2.2(b))

**Table 3: Proposed Rules for the introduction of a separation period between (i) the Demand Side Response (DSR) Test, and (ii) the notification of DSR components and / or the Metering Assessment or Metering Tests**

<b>Proposed Rules</b>			
	<b>At least 20 Working days before</b>	<b>At least 10 Working Days before</b>	<b>DSR Test deadline</b>
<b>T-1 Auctions</b>	No action required.	Components must be notified (8.3.3A) and MPANs (13.2.5(a)) and Metering Solution / Test (13.2.5(b)) must have been completed.	31st August (13.2.2(b))
<b>T-4 Auctions</b>	Components have to be notified (8.3.3A) and MPANs (13.2.5(a)) and Metering Solution / Test (13.2.5(b)) must have been completed.	Actions already complete.	31st August (13.2.2(b))

**Question 18: Do you agree with the introduction of the proposed separation period?**

**Question 19: If you disagree with the proposals, please provide supporting detail of your disagreement and provide alternative solutions where possible.**

## 5.5. Termination fees for failure to deliver DSR Test

As outlined in Capacity Market (CM) Rules 6.10.1 to 6.10.3, if a Capacity Provider fails to meet or breaches certain requirements in their Capacity Agreement then this can lead to the termination of the agreement. Where applicable, this results in repayment of capacity payments, the loss of credit cover, and can incur termination fees as a consequence.

At present, there is no termination fee specifically associated with the failure to provide a DSR Test Certificate for Unproven DSR CMUs<sup>24</sup>. Instead, the consequence for failing to provide this certificate is the loss of credit cover, set at £5,000/MW of de-rated capacity<sup>25</sup>.

The deadline for providing a DSR Test Certificate for Unproven DSR occurs one month prior to the start of the first Delivery Year. This deadline is after the T-1 auction and so there is no opportunity to compensate for lost capacity which arises from failed DSR Tests for that Delivery Year.

<sup>24</sup> Capacity Market Rule 6.10.1(i)

<sup>25</sup> The Electricity Capacity Regulations 2014, Regulation 61(1): <https://www.legislation.gov.uk/ukdsi/2014/9780111116852/part/7/chapter/2>

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## 5.6. Proposal

To address this issue, the government proposes that the TF1 termination fee (of £5,000/MW)<sup>26</sup> be associated with Unproven DSR CMUs that fail to provide a DSR Test Certificate by the required deadline, in addition to the existing £5,000/MW loss of credit cover. Introduction of a termination fee would be consistent with existing termination penalties for other failures, such as the failure to provide a metering test certificate which carries a TF3 termination fee of £10,000/MW. The proposed TF1 termination fee level is designed to provide a sufficient deterrent to prevent the opportunistic withdrawal of capacity from Capacity Agreements without imposing excessive barriers to market entry. The government considers the introduction TF1 to be a proportionate response relative to other termination fee options which carry a higher £/MW penalty.

The introduction of the proposed termination fee seeks to enhance delivery assurance by incentivising delivery and reducing the difference between auction agreements entered into and delivered against. This would likely encourage Capacity Market (CM) Participants to seek agreements which they can more accurately fulfil via T-4 auctions, even if T-1 auction clearing prices are slightly greater than T-4 clearing prices for the same Delivery Year.

As such, this should result in better value for consumers, as the improved delivery assurance would ensure the CM is better equipped to deliver against its objective of delivering security of supply. In addition, introducing a termination fee, instead of raising credit cover, results in a more targeted approach which reduces the risk of non-delivery at the point of non-delivery as opposed to increasing costs to DSR Capacity Providers upfront. This reduces barriers to market entry and reduces the liquidity requirements for smaller DSR Capacity Providers looking to enter the CM.

**Question 20: Do you agree that the proposed TF1 termination fee of £5,000/MW for Unproven Demand Side Response (DSR) Capacity Market Units which fail to provide a DSR Test Certificate will enhance delivery assurance for DSR capacity agreements?**

**Question 21: Please provide the reasoning behind response to question 20 and supporting evidence where appropriate. If you disagree, please provide suggestions and evidence for alternative methods that could be considered.**

**Question 22: Do you foresee any unintended consequences to the proposal under section 5.6 or believe a more effective solution exists for improving delivery assurance?**

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<sup>26</sup> TF1 is set in Regulation 32(2) of the Electricity Capacity Regulations 2014. See also Electricity Settlements Company (ESC) guidance: G11 – Termination of Capacity Agreements: <https://www.emrsettlement.co.uk/document/guidance/g11-termination-of-capacity-agreements/>



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## 6. Consultation questions

**Question 1: Do you agree with the proposed amendment to Rule 3.11 to introduce a Directors' Declaration and Summary Statement to enable a Capacity Market Unit to change their Opt-out status when new operational information is available? Please provide reasons with your answer.**

**Question 2: Do you agree that the Directors' Declaration to change Opt-out status should be treated as part of the Application to prequalify for the first Capacity Auction that the Unit would have been excluded for if no change of status was made? Please provide reasons with your answer.**

**Question 3: Do you think that any additional information or supporting evidence should be provided in addition to the Directors' Declaration and Summary Statement to allow a Capacity Provider to change its Opt-out status and participate in CM auctions? Please detail these and provide reasons with your answer.**

**Question 4: Do you agree with the proposed amendment to Rule 7.5.1(ra)? Please provide reasons with your answer.**

**Question 5: Do you think that the proposed change to Rule 7.5.1(ra) will have any unintended consequences? If so, please provide details.**

**Question 6: Do you agree with the proposal that the Delivery Body should not prequalify units when they become aware that the unit would not prequalify if the Application was considered afresh before the First Bidding Window? Please provide additional reasons for your answer.**

**Question 7: Do you think that this proposed clarification to Rule 4.4.3A will have any unintended consequences? If so, please provide details.**

**Question 8: Do you agree with the proposal to remove the Chapters and Rules set out in Table 1? If not, please provide details.**

**Question 9: Do you agree that the word "following" in 4.5ZA refers only to changes to Generating Technology Class in the 2017/18 auctions rather than to every auction since that point and that the rule is therefore obsolete? If not, please provide an explanation.**

**Question 10: Do you think the proposed changes will have any unintended consequences or alter other Rules not mentioned in the consultation? If so, please provide details.**

**Question 11: Are there any other additional redundant Rules or Chapters that you believe the government should also consider removing due to them no longer being applicable?**

**Question 12: Do you agree with the proposal to correct the incorrect reference to Rule 3.15.6(b) in Exhibit ZA?**

**Question 13: Do you think the proposed correction to Exhibit ZA will have any unintended consequences or alter other Rules not mentioned in the Consultation? If so, please provide details.**



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**Question 14: Are there any other Rules which you think contain drafting errors that you believe the government should also consider addressing by way of Rules amendments?**

**Question 15: Do you agree with the proposed temporary rule change to operational requirements for Existing Generating CMUs which are mothballed? Does this proposal create any unintended consequences?**

**Question 16: Do you agree with the proposed amendments to the Rules (including Rule 3.9.3 and 3.10.1) to require similar Demand Side Response Capacity Market Unit components to be collated into a single business model or plan at Application?**

**Question 17: Are there any unintended consequences from the proposed amendments?**

**Question 18: Do you agree with the introduction of the proposed separation period?**

**Question 19: If you disagree with the proposals, please provide supporting detail of your disagreement and provide alternative solutions where possible.**

**Question 20: Do you agree that the proposed TF1 termination fee of £5,000/MW for Unproven Demand Side Response (DSR) Capacity Market Units which fail to provide a DSR Test Certificate will enhance delivery assurance for DSR capacity agreements?**

**Question 21: Please provide the reasoning behind response to question 20 and supporting evidence where appropriate. If you disagree, please provide suggestions and evidence for alternative methods that could be considered.**

**Question 22: Do you foresee any unintended consequences to the proposal under section 5.6. or believe a more effective solution exists for improving delivery assurance?**

## 7. Next steps

This consultation will remain open to written responses for 9 weeks from 16<sup>th</sup> December 2024, closing on 17<sup>th</sup> February 2025. The government will analyse all responses to inform further policy development. The government aims to respond in spring 2025, outlining the proposals the government intends to implement. These proposals will be informed by the range of responses the government receive, by further stakeholder engagement and by additional analysis. Implementation will be subject to parliamentary time. Alongside analysing the responses to this consultation, the government is seeking evidence and feedback on improving how consumer-led flexibility<sup>27</sup> is categorised and operates within the CM to ensure it reflects market conditions. Potential proposals explored through this Call for Evidence will require further policy development prior to a decision on implementation and formulating policy proposals.

The government has undertaken analysis as part of the public sector equality duty (PSED) process, and the government do not believe that any groups are likely to be disproportionately impacted by the policies. The impact on consumer bills is expected to be negligible, and the

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<sup>27</sup> These voluntary offers of flexibility by energy consumers (whether households or industries) can also be referred to as 'Demand Side Response' (DSR) or 'Demand Side Flexibility'.

government does not foresee any impacts on protected groups. The government will continue to assess the equality implications of these options and will keep the PSED closely under review. If you have any views on how the policies may impact equality, please indicate this in your response.

## 8. Glossary

Abbreviation/Term	Definition
Auction clearing price	The price at which the supply of capacity offered by bidders at that price is equal to the volume of capacity required to be secured in the auction.
Capacity	An amount of electrical generating capacity or Demand Side Response capacity, usually expressed in megawatts (MW) unless stated otherwise.
Capacity Agreement	The rights and obligations accruing to a Capacity Provider under the Regulations and the Rules in relation to a CMU for one or more Delivery Years.
Capacity Auction	An auction held under Part 4 of the Regulations, where successful bidders are awarded capacity agreements.
Capacity Market	The Capacity Market ensures security of electricity supply by providing a payment for reliable sources of capacity.
Capacity Market Rules/ CM Rules (“the Rules”)	The Capacity Market Rules provide the technical detail for implementing the operating framework set out in the Regulations.
Capacity Market Unit (CMU)	A unit of electricity generation capacity or DSR capacity that can be put forward in a capacity auction. It is the product that forms the capacity to be procured through the CM.
Capacity Obligation	An obligation awarded pursuant to a capacity auction, applying for one or more Delivery Years, to provide a determined amount of capacity when required to do so in accordance with Capacity Market Rules.
Capacity Payment	A payment to a capacity provider under the Regulations for its commitment to meet a Capacity Obligation during a Delivery Year.
Capacity Provider	A person who holds a capacity agreement or a transferred part in respect of a capacity agreement.

Conditional Agreement Auction	T-1 auction for the Delivery Year commencing on 1 <sup>st</sup> October 2019.
Conditional Capacity Agreement	An agreement awarded in a Conditional Agreement Auction.
Consumer-led flexibility	Flexibility by energy consumers – or taken on their behalf by suppliers with consumers’ consent – to shift their electricity use in response to system need. For example, shifting away from peak periods or taking advantage of surplus renewable generation. Within the Capacity Market, consumer-led flexibility is delivered by ‘Demand Side Response’ mechanisms.
Delivery Body	The National Energy System Operator (i.e. NESO).
Delivery Partners	Refers to Ofgem, the Settlement Body and the Delivery Body.
Delivery Year	In relation to a capacity auction, this means the year for which a 1-year Capacity Obligation is awarded, or the first year of the period for which a multi-year Capacity Obligation is awarded. Delivery Years run 1 October- 30 September of each calendar year.
Demand Side Response (DSR)	DSR is a method of reducing electricity demand. This can be achieved by either reducing demand by switching off assets (see turn-down DSR), or by starting up on-site generators to provide electricity in place of drawing it from the distribution network or transmission network (see behind the meter generation). DSR mechanisms in the CM deliver consumer-led flexibility.
Demand Side Response Test (DSR Test)	A DSR Test is conducted to verify that DSR Capacity Providers can fulfil their obligations. This involves demonstrating the ability to reduce demand or increase generation to a specified level. Failure to deliver the DSR Test results in the risk of termination of the relevant Capacity Agreement.
De-rated Capacity	The capacity that a CMU is likely to be technically available to provide at times of peak demand, which is specific to the CMU’s technology type and individual characteristics.
Generating Technology Class	A class of Generating Unit, defined by the technology used to generate electricity, for which the Secretary of State requires the Delivery Body to publish a De-Rating Factor.
Gigawatt (GW)	A unit of capacity (1000 megawatts).

Interconnector	<p>(i) A physical link that allows for the transmission of electricity across GB's borders; and</p> <p>(ii) A business which operates such equipment.</p>
Kilowatt (kW)	A unit of capacity (1000 Watts).
Megawatt (MW)	A unit of capacity (1000 Kilowatts).
Meter Point Administration Numbers (MPANs)	A 21-digit reference number used to identify electricity supply points, e.g. a domestic residence or industrial/commercial unit, at which an electricity meter or meters are located.
National Energy Systems Operator (NESO)	The organisation operating the national electricity transmission network for GB.
Net Zero	Refers to a point at which the amount of greenhouse gas being put into the atmosphere by human activity in the UK equals the amount of greenhouse gas that is being taken out of the atmosphere.
Ofgem	A non-ministerial government department and an independent regulator, governed by the Gas and Electricity Markets Authority. Ofgem's powers and duties in relation to the CM are provided for in Chapter 3 of Part 2 of the Energy Act 2013 (c. 32), the Regulations and the Capacity Market Rules, in which it is referred to as "the Authority".
Opt-out	<p>A Mandatory CMU must state in the Opt-out Notification for an Existing CMU for a Capacity Auction that the CMU is:</p> <p>(a) opting out of the Capacity Auction and will be closed, decommissioned or otherwise non-operational by the commencement of the Delivery Year to which the Capacity Auction relates; or</p> <p>(b) opting out of the Capacity Auction and will be temporarily non-operational for all the Winter of the Delivery Year to which the Capacity Auction relates but will be operational thereafter; or</p> <p>(c) opting out of the Capacity Auction but will remain operational during the Delivery Year to which the Capacity Auction relates.</p>

Opt-out Notifications	For each Capacity Auction, if a Mandatory CMU makes no application, the person who is the legal owner of that Mandatory CMU must, during the Prequalification Window, submit an Opt-out Notification to the Delivery Body. This must state the reason why the CMU is opting out.
Penalty regime	The regime of financial penalties that are applied to capacity providers who do not provide their committed capacity during a System Stress Event.
Prequalification	The process set out in the Capacity Market Rules for the Delivery Body to confirm whether a CMU may bid in a capacity auction. A CMU must meet the requirements specified in the Regulations and the Capacity Market Rules to be prequalified.
Prequalification Window	For any Capacity Auction, the period specified in the Auction Guidelines within which applications for prequalification are to be made.
Primary Fuel Type	The primary fuel for a Generating CMU. If the Generating CMU comprises Generating Units which use different fuels, the primary fuel is the fuel used by the majority of the Generating Units on a MW basis.
Review of Electricity Market Arrangements (REMA)	The government has launched the Review of Electricity Market Arrangements (REMA) following commitment in the British Energy Security Strategy. REMA is a major review into Britain's electricity market design to radically enhance energy security and to help deliver our world-leading climate targets whilst reducing exposure to international gas markets.
System Stress Event (SSE)	A System Stress Event occurs when demand for electricity outstrips supply; it is defined in Rule 8.4.1 of the Rules.
T-1 auction	This is the capacity auction held one year ahead of the Delivery Year, which 'tops up' any capacity secured in the relevant T-4 auction.
T-4 auction	This the capacity auction held four years ahead of the Delivery Year, which secures most of the capacity needed in the relevant Delivery Year.
Termination	A CMU which meets the criteria for a termination event set out in Rule 6.10.1 may have its capacity agreement terminated, as per the procedure set out in Rule 6.10.2, resulting in termination fees, as set out in Rule 6.10.3.

TF1 / TF3 / TF4	Termination fee categories. Certain termination events have fees associated with them. There are five types of fees depending on the type of termination event which has occurred <sup>28</sup> . These are categorised as TF1 through to TF5.
TP3	Capacity payment repayment category. There are four types of repayment categories depending on the termination event which has occurred. These are categorised as TP1-4 in Regulation 43B.
The Electricity Capacity Regulations (“the Regulations”)	This refers to the Electricity Capacity Regulations 2014, S.I. 2014/2043, the principal regulations underpinning the CM.
Transitional auctions	T-1 auctions held in 2015 and 2016 to facilitate the delivery of DSR CMUs and smaller non-CMRS Distribution CMUs in the Delivery Years prior to the Delivery Year for the first full Capacity Auction.
Unabated (gas) generation	Electricity generation where carbon dioxide from burning natural gas is not captured and stored.
Unproven Demand Side Response (DSR)	DSR that has not yet demonstrated it has the necessary metering in place or demonstrated it can deliver a specified level of capacity.
Winter	A period from 1 October to the following 30 April.

<sup>28</sup> Details on EMRS Guidance: G11 – Termination of Capacity Agreements: <https://www.emrsettlement.co.uk/document/guidance/g11-termination-of-capacity-agreements/>

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This consultation is available from: <https://www.gov.uk/government/consultations/capacity-market-proposals-to-modernise-rules-and-improve-participation-and-delivery-assurance-of-consumer-led-flexibility>

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