



UK Government

Consumer-led flexibility in the Capacity Market

Summary of responses to the December
2024 Call for Evidence

October 2025



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Introduction

The security of Great Britain's electricity supply is vital to achieving the Prime Minister's Clean Energy Superpower Mission and its pillars of providing clean power by 2030 and accelerating the delivery of net zero by 2050.

The Capacity Market (CM) contributes toward those objectives as the GB electricity system's primary mechanism for ensuring security of supply. It serves to procure sufficient reliable capacity such that peak demand will always be met. The government has routinely made changes to the CM to reflect the changing circumstances and developments the energy system faces and ensuring it remains fit for function. As the electricity system evolves, Consumer-Led Flexibility (CLF), as represented within the CM by Demand Side Response (DSR) technologies, is expected to play an increasingly important role¹ as a low carbon technology providing system flexibility and value for money for consumers.

On a practical level, CLF consists of voluntary actions taken by energy consumers directly or by authorised third parties to reduce or shift their electricity use from times of high demand and/or low levels of weather dependant supply to times when demand is lower or supply is more abundant. When consumers engage in this activity they can be rewarded for the flexibility they provide the electricity system, while still having their energy needs met. Consumers who engage directly with CLF mechanisms benefit directly in the form of reduced bills or financial payments. The wider electricity system benefits from a reduction in need for build out of generation and transmission infrastructure, in turn reducing electricity unit costs for all consumers.

Government launched a Call for Evidence (CfE) on CLF in the CM in December 2024. The CfE sought stakeholder views on whether current CM arrangements appropriately reflect the characteristics of DSR technologies and how reforms could improve their participation, whilst maintaining delivery assurance.

This document is a summary of the responses received to the CfE. It provides an overview of stakeholder views presented on the CfE topics, including any alternative suggestions put forward, and identifies next steps in policy development.

Government has, in parallel to this summary of responses, published a consultation on the CM². Stakeholders are encouraged to review and respond to proposals introduced in the consultation published in parallel to this document. The consultation includes several policy proposals informed by responses to the CfE.

¹ DESNZ, [Clean Power 2030 Action Plan](#), December 2024

² DESNZ, [Capacity Market: proposed changes for Prequalification 2026](#), October 2025.

Summary of responses

Proposed Generating Technology Classes

Questions 1 and 2 sought views on the introduction of new Generating Technology Classes (GTCs) for Demand Side Response (DSR) in the Capacity Market (CM), based on the underlying technology used to deliver capacity. The majority of the 27 respondents supported the proposal, highlighting that technology-specific GTCs could improve the accuracy of de-rating factors, simplify the application process, and increase auction liquidity. A few respondents supported the proposal on the condition that GTCs would apply at the component level, allowing for mixed-technology CMUs.

Some respondents raised concerns about potential impacts on administrative burdens, particularly for Delivery Bodies managing multiple new GTCs. Others questioned whether the introduction of new GTCs could create opportunities for gaming, with providers selecting the most favourable de-rating category. A few respondents proposed alternatives, such as consumer-led categorisation or improvements to baselining and testing methodologies. There were also concerns that BTM Generation (which often takes the form of diesel generators) could receive a higher de-rating factor than more sustainable forms of DSR, potentially running counter to government's decarbonisation commitments.

Questions 3 and 4 focused on whether a separate GTC should be created for Electric Vehicle (EV) charging and bidirectional Vehicle-to-Grid (V2G) technologies. Responses were mixed. Some respondents supported a dedicated GTC, arguing it could encourage participation and allow for a more appropriate de-rating factor to be established. Others felt that EV and V2G technologies could be adequately covered under existing categories and that a new GTC would add unnecessary complexity. A few respondents warned of potential gaming risks if participants selected the GTC which would result in a higher de-rating factor. Some respondents felt it was premature to introduce a separate category for V2G given its relative nascency and lack of widespread deployment.

De-rating methodology

Question 5 asked for views on the continued use of Non-Balancing Mechanism Short-Term Operating Reserve (Non-BM STOR) for de-rating DSR in the CM and whether better alternatives could be proposed. With Non-BM STOR set to be retired in early 2026 and replaced by Slow Reserve³, most respondents acknowledged the need for a new data source, though there was no clear consensus on the best alternative. Suggestions included using Slow Reserve, the Demand Flexibility Service (DFS), other NESO or DSO-led services, CMU-level de-rating based on DSR Test performance, or adopting international practices such as those used in the PJM capacity market where DSR is de-rated above 100% as it does not incur transmission losses.

³ NESO, [Slow Reserve & STOR Update](#), August 2025

De-rating duration limits

Questions 6–9 explored whether duration limits should be applied to DSR within the CM, and whether a duration-based approach should influence how DSR is de-rated. This included inviting views on whether DSR technologies exhibit duration limits, whether a duration-led methodology should be used for de-rating, and what unintended consequences might arise from such an approach.

Respondents were divided on whether DSR has meaningful duration limits. While a slight majority agreed that some DSR technologies do exhibit clear duration constraints, chiefly behind-the-meter storage technologies, several respondents noted that manual turndown does not have a fixed limit in the same way as storage technologies. Instead, its availability is determined by economic and operational pressures which can vary based on time, but also other factors. Views were similarly divided on whether a duration-based de-rating methodology should be adopted, with a slight majority opposed to the measure. Supporters argued that, in practice, all DSR is time-limited and should be treated accordingly. Opponents raised concerns that such an approach could introduce burdensome testing requirements, such as Extended Performance Tests (EPTs) as applied to the Storage GTC in the CM, which could discourage participation and reduce auction liquidity.

There was no clear consensus on whether a duration-led approach should apply to all proposed DSR GTCs. Some respondents supported applying it universally, while others felt it should be limited to certain technologies or not be used at all. A few raised concerns about potential gaming if participants were able to select GTCs based on more favourable de-rating factors.

Most respondents anticipated unintended consequences if a duration-led approach were introduced. Respondents suggested this could lead to, increased administrative complexity, reduced participation and higher auction costs. Some also felt it could undermine the government's CP2030 ambitions by creating new barriers to entry for DSR.

Component reallocation within aggregated portfolios

Questions 10–12 invited views on limiting component reallocation within aggregated portfolios to the same technology-based GTC, i.e. those proposals in Questions 1-4.

Most respondents did not support the proposal. Whilst some felt it could help simplify the CM and improve transparency around the technologies used within a CMU, many were concerned it would reduce flexibility inherent within consumer-led flexibility, increase complexity, and create barriers to CM participation. There was also concern that the proposal would negatively impact the management of portfolios and make it more difficult to maintain the 1MW minimum threshold required for entry.

Many thought that if the proposal went ahead, it would need to be supported by further changes, with the most common suggestion being to allow reallocation between different GTCs. Other suggestions included reducing the 1MW threshold and reviewing how the GTC structure would work in practice. A few respondents saw potential benefits to limiting component reallocation, such as supporting a separate GTC for Vehicle-to-Grid (V2G) and improving consistency within CMUs.

Management of aggregated small-scale assets

Questions 13 and 14 explored how information on aggregated small-scale assets, such as EV chargers and heat pumps, is captured within the CM and where there was scope to reduce its volume without impacting delivery assurance. To meet 1MW CMU participation thresholds, smaller assets are grouped into large portfolios. The CM requires information to be submitted for these assets on a component-by-component basis.

The vast majority of respondents supported reducing the information requirements. They argued that CM reforms were needed to better and more proportionately reflect the types of components comprising DSR CMUs. Suggestions included limiting component data requirements to just the MPAN and improvements to the Delivery Body's systems to enable bulk uploads and making data machine-readable. Some also called for greater flexibility in component reallocation and a review of secondary trading rules and operation. While supportive of streamlining, a few respondents stressed the need to maintain safeguards against gaming and to uphold technology neutrality. Those opposed to change felt that consistent rules across all technologies were essential to ensure fairness and delivery assurance.

Baselining methodologies

Questions 15–17 invited views on baselining of DSR in the CM, aligning that baselining to other markets, and the role of the penalty regime to incentivise more accurate baselining.

Views on baselining were mixed. Some respondents supported reform, calling for baselines which better reflect system value and align with periods of system stress. Suggestions included automated or performance-based baselining, short-notice DSR Tests, and fixed baselines for specific technologies. Others felt baselining wasn't a current priority or argued that changes should focus on the Satisfactory Performance Days (SPD) process instead. There were also concerns about applying a single baselining approach across different DSR technologies.

There was support for aligning with other markets, with a few respondents believing alignment should be led by the Market Facilitator. Others felt baselining should remain tailored to each market's purpose.

Views on penalties were similarly divided. Some felt the current regime was too weak and supported stronger, more targeted penalties linked to non-delivery. Others warned that harsher penalties could deter participation and argued that better baselining would reduce the need for penalties. A few also highlighted the role of secondary trading and the need to adapt to new behaviours, such as dynamic tariffs and emerging services like the Demand Flexibility Service.

Completion Milestones

Questions 18–20 explored the potential introduction of completion milestones for DSR within the CM, similar to those already in place for generating technologies.

Views were mixed, with slightly more respondents opposed than in favour. Supporters felt that a milestone could improve delivery assurance, reduce the risk of non-delivery, and allow providers to manage risk more effectively by dropping out of undeliverable agreements early to

avoid termination fees. Some saw it as an opportunity to enhance system reliability by enabling timely replacement of undeliverable capacity. However, there were concerns that the proposal could increase complexity and act as a barrier to entry. Others questioned whether existing delivery assurance measures might offer a better solution.

Those in opposition argued it could discourage participation and place an unfair burden on DSR compared to other technologies. Some suggested alternatives, such as improving secondary trading or adjusting credit cover arrangements. A few respondents warned that introducing a new milestone could add administrative burdens and reduce liquidity which would run counter to Clean Power 2030 objectives. There were also concerns about maintaining technology neutrality, with some viewing the proposal as being unfair in the case of DSR.

Conclusion and next steps

Government would like to thank respondents for taking the time to answer these questions and for providing both evidence and suggestions on consumer-led flexibility in the CM. Responses to this Call for Evidence will continue to be considered and reviewed by government as part of its policy development. We remain committed to engaging and working with industry stakeholders as an integral part of that process.

As a result of the responses to this Call for Evidence, government has progressed policy on the following topics for stakeholder reviews in the consultation published in parallel to this document⁴:

- Granularity of technology classes: Proposals to capture of more granular data on DSR technology response types. Once this data has been captured, it will improve evidence to support the assessment and operational consideration of technology-based GTCs to be reviewed.
- DSR de-rating factors: A short-term proposal to enable DSR's continued de-rating under current arrangements until a longer-term arrangement is settled.
- Completion milestones: Proposals progressed to consultation do not directly address completion milestones but carry similar intent to bolster confidence in capacity progression to delivery.

Stakeholders are encouraged to review and respond to the proposals included in the consultation.

⁴ DESNZ, [Capacity Market: proposed changes for Prequalification 2026](#), October 2025.

Annexes

Annex A: Full summary of responses

Proposed Generating Technology Classes

In October 2023, the government's Phase 2 Capacity Market consultation⁵ sought views on introducing more granular Generating Technology Classes (GTCs) for Demand Side Response (DSR), recognising that all DSR was currently treated uniformly despite covering a wide range of technologies and customer types.

The majority of respondents supported reform, citing the potential for more accurate de-rating factors and reduced delivery risk. However, views varied on how DSR should be categorised, with suggestions including technology type, customer type (domestic vs industrial), duration-based approaches, or combinations thereof. The government response, published in July 2024, acknowledged this support and committed to developing a specific policy proposal, taking into account wider issues raised such as baselining, testing, and penalty regimes.

Following consideration of the responses to the 2023 Phase 2 consultation, the 2024 Call for Evidence, through questions 1 and 2, sought views on the potential categories for new GTCs for DSR within the Capacity Market (CM). The proposed GTCs were based on the underlying technology and method by which capacity would be provided. The proposed categories included:

- Behind-the-Meter (BTM) Storage
- Behind-the-Meter (BTM) Generation
- Genuine Demand Response (including manual turndown)

Questions 3-4 of the Call for Evidence also sought views on whether a separate GTC should be established for Electric Vehicle (EV) charging and potentially bidirectional charging (V2G) technologies, should they be introduced to the CM or whether these technologies were better integrated into the categories listed above.

Summary of responses

Question 1 asked whether respondents agreed with the proposals to introduce new DSR GTC based on technology type and question 2 sought the reasoning behind responses, suggesting respondents who disagreed with the proposals to offer alternative methods for consideration.

Question 1 received 27 responses and question 2 received 28 responses, with the majority expressing support for the introduction of more granular DSR GTCs. Respondents highlighted that technology-specific GTCs could enable more accurate de-rating of DSR assets, streamline the application process by eliminating administration that is considered unnecessary for particular technology types, and increase liquidity in future auctions. A few respondents supported the proposal on the condition that GTCs would be applied at the component level whilst still allowing mixed GTC Capacity Market Units (CMUs).

⁵ DESNZ, [Capacity Market 2023: Phase 2 proposals and 10 year review](#), October 2024

Of those who disagreed with additional GTCs, some were concerned the changes would add to the level of administration, if not for DSR Providers then for Delivery Bodies charged with overseeing multiple new GTCs. Others questioned whether introducing different GTCs would present a gaming risk, with DSR Providers able to select the GTC offering the highest de-rating factor. One respondent noted that DSR was still a relatively nascent technology with significant potential to change in coming years in ways that may run counter to the proposed GTCs.

A few respondents proposed alternatives to technology based GTCs, such as categorisation based on customer-type by de-rating domestic DSR and industrial or commercial DSR differently. Others suggested improvements to baselining and DSR testing methodologies to ensure testing reflected System Stress Event (SSE) conditions. A few respondents also highlighted concerns that BTM Generation from fossil-fuelled generators, e.g. diesel generators, could secure a higher de-rating factor than genuine turndown, providing incentives to run counter to government's CP2030 and decarbonisation targets.

Question 3 asked whether an additional GTC would be necessary for EV charging and V2G technologies or whether they could be captured within the other GTCs already proposed. Question 4 asked whether there could be any unintended consequences of adopting a separate GTC for EVs & V2G.

Question 3 received 26 responses with a mixture of views expressed. Some felt adopting a separate GTC would be positive in helping to bring more EV chargers and V2G into the CM. Some supported the adoption of the additional GTC as they believed that EV chargers' reliability in meeting the CM's security of supply objective would be less than other DSR technologies and it should be de-rated accordingly. Others felt an additional GTC was unnecessary and that genuine turndown already covered the technologies adequately, with any additional GTC being unnecessary from an administration perspective.

Question 4 elicited similar responses to question 3, with additional concerns shared regarding the prospect of gaming from Capacity Providers selecting an alternative GTC should the EV/V2G category result in a lower de-rating factor. The ability to distinguish between EV charging and a household manually turning down usage was also highlighted. A few respondents also felt it was simply too early to confidently establish separate GTCs for EV charging and V2G given the nascent nature of the technologies.

Government next steps

Government is introducing proposals in the consultation published in parallel to capture data which would latterly support the option to introduce more granular DSR technology classes within the CM.

De-rating methodology

Question 5 asked for respondents' views on the use of Non-Balancing Mechanism Short-Term Operating Reserve (Non-BM STOR) for de-rating DSR within the CM and for respondents to propose alternatives for DSR de-rating data. Non-BM STOR will shortly be phased out of NESO's ancillary services and be replaced by the Slow Reserve. As such, alternative data sources will be necessary to continue to accurately reflect the value of DSR within the CM.

Summary of responses

Question 5 received 19 responses in total. Many respondents acknowledged that Non-BM STOR was an imperfect data source and that its imminent withdrawal would require an

alternative. Several suggestions were made as to potential alternatives, however, there was no consensus amongst respondents.

Suggestions included the Slow Reserve replacement to Non-BM STOR; the Demand Flexibility Service (DFS) which NESO has run since the winter of 2022/2023; NESO ancillary services or data from Virtual Lead Parties which provide balancing services for NESO; Distribution System Operators (DSOs) services which include DSR; adopting CMU-level de-rating based on a CMU's performance in DSR testing; and adopting international practices from markets such as the PJM where DSR is de-rated above 100% as it does not carry the transmission losses of generation capacity.

Respondents also proposed that, if more granular GTCs were adopted per questions 1-4, that BTM Storage could be de-rated according to existing storage de-rating criteria to prevent gaming between the two technology categories.

Government next steps

As there is a lack of consensus regarding the best potential alternative data sources for de-rating DSR, a proposal in October's consultation will seek to allow the current methodology to be extended until a longer-term solution can be developed. Government will further engage stakeholders on a longer-term solution.

De-rating duration limits

Questions 6-9 concerned the application of duration limits for DSR within the CM. Question 6 asked whether respondents agreed that DSR exhibited duration limits, whilst question 7 specifically asked whether respondents agreed that a duration limited methodology should be used to de-rate DSR. Question 8 built upon earlier questions on more granular DSR GTCs by asking if a duration-led approach should be applied to all proposed DSR GTCs (assuming they were introduced). Finally, question 9 asked respondents to identify any unintended consequences they could foresee to adopting a duration-led approach.

Summary of responses

Question 6 received 24 responses in total, with a slight majority agreeing that duration limits did apply to DSR. Several respondents caveated their response by noting that only some DSR technologies exhibited such duration limits. For example, BTM Storage inherently carries a duration limit in the same way that any battery or storage technology does.

The majority of respondents, regardless of their initial answer, noted that most DSR in the form of manual turndown does not have a hard duration limit based on its technology make-up in the same way as storage technologies whose capacity is finite, but that over time the pressure on maintaining that turndown response increases. For example, a factory could shut down indefinitely to maintain that response. That response, however, comes at the cost of the factory's core purpose in goods production. The decision to resume operation is not fixed or based on a specific technological limitation, rather the economic pressure to resume operation; pressures which would likely increase as the demand turndown response period lengthened.

Question 7 received 21 answers in total with a slight majority against adopting a duration based de-rating methodology for DSR. Those in favour argued that whilst DSR may not have a hard duration limit, in practice DSR was time limited; at some point manually turned down assets would have to resume their intended function, whilst BTM Storage clearly carried such limits. Those opposed to the proposal suggested that application of a duration limit could

require testing regimes such as the Extended Performance Tests (EPTs) faced by Storage technologies within the CM. A few respondents suggested that whilst DSR providers may be able to ensure their capacity is available for extended periods during a SSE, the application of testing to confirm capacity obligations on assets or industries whose primary purpose was not providing capacity, was economically inefficient and would create barriers to CM participation. This in turn could reduce DSR capacity entering future auctions, decreasing auction liquidity.

Question 8 received 17 responses, with a few respondents agreeing that a duration-led approach should be applied to all forms of DSR, some suggesting it should apply to none and a few others suggesting it should only apply to BTM Storage and/or manual turndown. A few respondents noted the possibility that if GTCs were de-rated separately based on duration limits, it might result in participants selecting the GTC with the highest de-rating factor, regardless of the asset's actual technology.

Question 9 received 19 responses with the majority foreseeing potential unintended consequences to the introduction of a duration-led approach to de-rating. Several respondents believed a duration-led de-rating would create barriers to entry through EPTs, with some respondents believing such barriers to entry for DSR would be counter to the government's wider CP2030 ambitions. Others suggested duration limits would add an extra layer of administrative complexity both for DSR providers and for Delivery Partners. A few respondents also believed the result would be a lower de-rating factor for DSR, which would further discourage participation and so increase auction costs due to lower liquidity.

Government next steps

Government intends to build on the feedback received and will further assess the application of duration-limits for DSR technologies.

Component reallocation within aggregated portfolios

Questions 10-12 concerned the proposal to limit component reallocation within aggregated portfolios to the same GTC, assuming the more granular GTCs outlined at questions 1-4 were adopted in the future. Question 10 asked whether respondents agreed with the proposed approach to component reallocation being permitted only within the same technology type. Question 11 asked whether additional supporting changes were necessary to accommodate the proposals outlined in question 10. Question 12 invited suggestions for what those supporting changes should be.

Summary of responses

Question 10 received 26 responses. The majority of respondents opposed the proposed component reallocation approach, whilst some offered support for the proposal. Those in favour of the proposal felt it would simplify the CM framework and improve transparency by providing clearer information on the composition of different components within a CMU.

Some respondents opposing the proposal expressed views that limiting component reallocation to like-for-like technologies would present a barrier to DSR participation. A few respondents expressed concern that the proposal would reduce flexibility for participants and make it more difficult to manage and operate CMUs effectively.

Question 11 received 19 responses. A few respondents agreed that no further changes were necessary, while most believed additional supporting changes would be required. A majority of those in favour of changes were also opposed to the proposed limitations on component

reallocation. They argued that the most important factor should be the de-rated capacity of the CMU, regardless of its technology type and that restricting reallocation would introduce unnecessary complexity and hinder the ability to replace components efficiently. A few respondents also noted that the proposed approach could make it more difficult for CMUs to maintain the 1 MW minimum threshold required for participation in the CM.

Of those who supported the proposal as it stood, one respondent suggested that it could facilitate the development of a separate V2G GTC by enabling more integrated portfolios.

Question 12 invited suggestions for alternative or supporting changes and received 6 responses. There was support for reducing the 1 MW minimum threshold for CMUs to help accommodate the proposed changes. Others called for greater flexibility to allow reallocation between different GTCs. A few respondents raised concerns with the current GTC structure and questioned how limited component reallocation would function in practice. One respondent believed that the proposed changes would promote consistency within CMUs, thereby supporting delivery assurance.

Government next steps

As DSR will remain a single technology class in the immediate future, component reallocation by technology type is not being progressed to further consultation at this time.

Management of aggregated small-scale assets

Questions 13 and 14 explored how aggregated small-scale assets are managed within the CM. These assets, which often include domestic technologies such as EV chargers or heat pumps, form part of larger portfolios of potentially thousands of components. However, the existing CM Rules were not originally designed to accommodate this type of participation, which can present administrative burdens for these portfolios.

Question 13 asked whether respondents agreed that information submitted for aggregated CMUs could be reduced without negatively impacting delivery assurance. Question 14 invited views on how any alternative approaches could be addressed and implemented.

Summary of responses

Question 13 received 22 responses, with most respondents supportive of a reduction in the information requirements for aggregated portfolios.

A few respondents highlighted that the CM was not designed with portfolios comprising thousands of small-scale assets in mind and therefore reform was necessary to ensure these portfolios could participate effectively. Specific suggestions included limiting the data required for each component to just the MPAN and reforms to CM delivery partners' systems to enable bulk upload and machine-readable functions. Some respondents also called for Ofgem to review secondary trading rules and to allow greater flexibility in component reallocation to better accommodate large portfolios. Others agreed that where data requirements were duplicated across components, they could be streamlined. One respondent, while supportive of reducing burdens, stressed the importance of maintaining safeguards to prevent gaming, including measures to avoid component duplication and to uphold the principle of technology neutrality within the CM.

Those opposed to the proposal argued that CM Rules and component notifications and information should remain consistent across all technologies to ensure fairness and maintain delivery assurance.

Question 14 received 19 responses and elicited a range of suggestions. Views largely mirrored those expressed in response to Question 13.

Those opposed to change reiterated the need for consistency in how portfolios are treated, warning that divergence could undermine delivery assurance.

A few respondents who supported reform noted that improvements to CM delivery partners' systems could have a greater impact than CM Rule changes alone. They also highlighted the need to prevent duplication of components across CMUs as customers switch between DSR providers.

Several respondents proposed alternative approaches aimed at reducing administrative burdens, including a review of current data requirements with a view to streamlining processes. A few respondents supported a shift toward portfolio-level assurance across CMUs, which they believed would reduce the need for detailed component-level data. One respondent suggested that certain data points - such as address, locational grid reference, and auxiliary load - could be removed from initial application requirements, with metering information submitted later in the process. A few others proposed grouping similar technologies or regionally located assets under summary descriptions to avoid repetitive data entry, particularly where information was consistent across components. Finally, it was noted by some respondents that reform of Delivery Body systems to address bottlenecks, especially through the introduction of bulk upload functionality, would help alleviate administrative burdens. Government wishes to highlight to respondents that the CM Delivery Body has introduced a bulk upload tool within the EMR portal⁶.

Government next steps

Government has recently introduced measures to limit administrative burden and will continue to assess further opportunities to alleviate pressures whilst balancing assurance requirements.

Baselining methodologies

Questions 15-17 sought feedback on baselining methodologies for DSR within the CM. Question 15 asked respondents for views on changing baselining methodologies within the CM. Question 16 invited views on aligning CM DSR baselining with other markets. Question 17 sought views on how changes to the penalty regime could incentivise more accurate baselining.

Summary of responses

Question 15 received 21 responses in total, with a few respondents supporting changes to baselining methodologies, some opposed, and a similar number expressing neutral or mixed views.

⁶ Further information is available here: <https://emrdeliverybody.nationalenergyso.com/IG/s/article/Component-Bulk-Upload>

Among those in favour of change, a few supported greater standardisation, suggesting replication of methodologies used in other markets, while maintaining flexibility to adapt these for different technologies. Others suggested that baselines should better reflect the value DSR provides to the system and called for the alignment of that value with expected times of system stress. Proposals included automation of baselining based on performance to improve accuracy, with baselines run at expected times of system stress, similar to those used in international markets such as the PJM in the United States. One respondent proposed that DSR Tests should be conducted as “surprise” events to better simulate real-world conditions. A few also called for a cross-market baselining review, led by Elexon as the Market Facilitator, to ensure consistency and reduce complexity. One respondent requested the development of an EV-specific baseline across all flexibility markets to support greater participation.

Some respondents expressed neutral or mixed views. A few felt that baselining was not a current priority and that the more pressing issue lay with ensuring the Satisfactory Performance Days (SPD) testing process was fit for purpose by occurring at times reflective of a potential SSE. Others questioned whether a single, generic baselining methodology could be applied effectively across diverse technologies and use cases, particularly where performance is influenced by external factors such as temperature or manufacturing processes. There was also a view that any future changes should build on recent reforms, such as code modification P375 ‘Settlement of Secondary BM Units using metering behind the site Boundary Point’ and be consistent across all forms of DSR.

Those opposed to change generally argued that the current CM baselining approach is already broadly aligned with other markets and that the main divergence lies in the SPD process. These respondents felt that any changes should focus on SPDs and be implemented in a technology-neutral manner. A few also noted that while gaming of baselines is theoretically possible, it would require significant planning and risk on the part of Capacity Providers, making it unlikely given the financial penalties and risks of termination. Some expressed concern that mandating specific timings for DSR Tests could create participation barriers and emphasised the need for flexible dispatch to prove capacity.

Question 16 received 15 responses. Some respondents supported greater alignment of baselining with other markets, particularly where it could enable revenue stacking and reduce administrative complexity. A few suggested that the Market Facilitator should lead this work, including the development of a dedicated EV baseline. Others supported aligning baselining with settlement periods and improving the link between SPDs and SSEs. One respondent proposed the use of fixed, technology-specific baselines, citing those already used by UK Power Networks for EVs.

Several respondents expressed neutral or mixed views, including suggestions that the CM should take account of ongoing external reviews rather than leading on alignment efforts itself. Some respondents supported revenue stacking in principle but noted that alignment should be carefully managed to reflect the specific needs of each market. A few respondents called for the CM to better value DSR relative to fossil fuel generation. One respondent proposed a review of baselining methodologies to assess their openness to gaming and associated risks.

A few respondents opposed alignment, arguing that baselining should be tailored to the specific characteristics of each market. Some felt the CM should not act as the “first mover” in this space, and that leadership should come from the NESO or DNOs.

Question 17 received 16 responses. A few respondents supported changes to the penalty regime. These respondents generally felt that penalties could play a role in improving baselining accuracy, particularly if linked directly to non-delivery during SSEs. One respondent

proposed a structured trigger mechanism requiring different technologies to demonstrate capacity, with penalties applied if they failed to do so. Another suggested that intraday baselining, adapted for specific technology classes, could reduce gaming risks and improve accuracy. A few also argued that the current penalty regime is too weak, noting that non-delivery penalties are capped and may not provide a sufficient deterrent to non-delivery.

A few respondents expressed neutral or mixed views. These included calls for a proportionate approach that reflects the operational realities of DSR and for a broader review of the penalty regime before any changes are made. One respondent suggested that the window for proving assets should be opened earlier, allowing participants to demonstrate capability before entering auctions. Another noted that penalties must remain technology neutral and aligned with security of supply objectives.

Some respondents opposed changes to the penalty regime. A few argued that improved baselining would reduce the need for stronger penalties, while others felt that increasing penalties could disincentivise participation, particularly if they were seen as disproportionate. There were also suggestions that secondary trading could address the concerns of non-delivery without disincentivising participation. One respondent highlighted that current baselining approaches are not compatible with dynamic tariffs and suggested that the Demand Flexibility Service (DFS) should be added to the list of Relevant Balancing Services in accordance with Schedule 4 of the CM Rules.

Government next steps

Government has not progressed baselining in the CM to the parallel consultation. Policy on baselining will be kept under review.

Completion Milestones

Questions 18-20 explored the possibility of introducing completion milestones for DSR, similar in concept to existing completion milestones for generating technologies within the CM. Intent underpinning the introduction of a completion milestone in advance of the Electricity Capacity Report would allow for the capacity from CMUs that are not progressing and so are unlikely to be ready in time for their delivery year, to be replaced with new agreements from that year's T-1 auction. It would also provide the opportunity to reduce risk for DSR providers by providing an opportunity to terminate agreements they are unlikely to fulfil without incurring the termination fee consulted upon in the CM consultation launched at the same time as this Call for Evidence⁷.

Question 18 asked whether respondents agreed with the intention to introduce a completion milestone. Question 19 sought the reasoning behind responses and invited alternative suggestions to meet policy intent. Finally, question 20 asked if respondents could envisage any unintended consequences to introducing completion milestones.

Summary of responses

Question 18 received 24 responses, whilst question 19 received 23 responses in total. Responses were divided, with a small majority opposing the introduction of milestones and a variety of opinions and alternatives voiced in response.

⁷ DESNZ, [Capacity Market: proposals to modernise Rules and improve participation and delivery assurance of consumer-led flexibility](#), December 2024

Some of those who supported the proposal agreed that it would provide an opportunity for lost capacity to be re-procured ahead of the delivery year and would reduce the risk of non-delivery. A few also agreed it would allow pre-qualified parties to minimise their exposure if a CMU was at risk of not being delivered by providing a means of exiting a deal without incurring termination fees, effectively de-risking non-delivery. Respondents believed that, in addition to allowing sufficient time to procure alternative capacity, the proposal would enhance system reliability. A few respondents who supported the measure warned that it could increase complexity and so present a barrier to entry for DSR participants, with one respondent questioning whether changes to delivery assurance measures could provide greater benefits.

Those who opposed the proposal suggested it would discourage participation for DSR Capacity Providers. They suggested alternatives, including modifying secondary trading rules to allow agreements to be traded so that capacity shortfalls could be addressed without needing to reprocure capacity through the T-1 auction. A few suggested changes to credit cover, such as following the ISO New England model of allowing credit cover to be released as components demonstrated their capacity in advance of the delivery year. A few who opposed the proposal also suggested different completion milestones such as moving DSR Tests earlier.

A few respondents felt that a DSR Test represents a completion milestone and did not believe that DSR CMUs should have to demonstrate additional readiness ahead of the DSR Test. Their views posited that, if introduced, completion milestones would put DSR at a disadvantage compared to other technologies in the CM.

Question 20 received 21 responses commenting on unintended consequences to implementing completion milestones. Many of the same points outlined above were repeated, such as the potential barrier to entry or discouragement that introduction of a completion milestone would present. Some suggested it would add complexity through additional administrative burdens and that the consequence of disincentivising DSR would be counter to Clean Power 2030 targets and increased auction prices due to lost liquidity.

A few respondents believed completion milestones represented an unfair burden on DSR and would contradict technology neutrality, despite completion milestones existing for other generating technologies within the CM.

Though responses were mixed on the topic of completion milestones, some respondents suggested reasons for implementing a completion milestone for DSR. With DSR CMUs having access to longer agreements, it may also become more common for DSR projects to take on multiple year agreements to fund more complex capacity provision. Completion milestones may provide a useful delivery assurance role in such contexts. Further alternatives, such as changes to secondary trading, were suggested.

Government next steps

Government has not progressed completion milestones to consultation. However, adjacent proposals relating to capacity delivery confidence have been included for stakeholder input.

Annex B: List of respondents

The Call for Evidence received 28 responses in total from a range of stakeholders.

Only organisations that gave permission for their response to be made public have been included on the list below. Responses from individuals or organisations that indicated they do not want identifying information published or did not specify permission to share information have been considered as part of the call for evidence responses but are not listed below.

Respondent Name	
CUB (UK) Ltd	Flexitricity Limited
Drax Group plc	Octopus Energy
Elxon	RWE Supply & Trading GmbH
Enel X	Thermal Storage UK
Energy UK	

Annex C: Call for Evidence questions

Question 1: Do you agree with our proposals to introduce new Demand Side Response Generating Technology Classes based on technology type?

Question 2: Please provide the reasoning behind your response to question 1 and supporting evidence where appropriate. If you disagree, please provide suggestions and evidence for alternative methods that could be considered.

Question 3: Do you have any opinions on whether an additional Generating Technology Class is necessary for Electric Vehicles and Vehicle-to-Grid technologies, or can these be included in the proposed categories?

Question 4: Can you foresee any unintended consequences that might arise from the introduction of separate Generating Technology Classes for Electric Vehicles and Vehicle-to-Grid?

Question 5: What are your views on the utilisation of non-Balancing Mechanism Short-Term Operating Reserve in the current Demand Side Response de-rating methodology? Do you have any alternative suggestions? Please provide evidence to support your response.

Question 6: Do you agree that Demand Side Response exhibits duration limits?

Question 7: Do you agree with the proposals to adopt a duration limited methodology to de-rating Demand Side Response categories?

Question 8: Do you have views on whether this approach should be applied across all proposed Demand Side Response categories?

Question 9: Do you foresee any unintended consequences from adopting a duration limited methodology?

Question 10: Do you agree with our proposed approach to component reallocation within Demand Side Response Generating Technology Classes?

Question 11: Do you believe that additional supporting changes are necessary to accommodate the proposals outlined in question 10?

Question 12: If you believe additional supporting changes are necessary, what changes do you propose should be considered?

Question 13: Do you agree that information submitted with respect to aggregated Capacity Market Unit portfolios could be reduced without negatively impacting delivery assurance?

Question 14: Please present views on how any alternative approaches could be addressed and implemented.

Question 15: Do you have views on changing baselining methodologies in the Capacity Market?

Question 16: Do you have views on aligning baselining methodologies with other markets?

Question 17: Do you have views on how changes to the penalty regime could incentivise more accurate baselining in the Capacity Market?

Question 18: Do you agree with intentions to introduce a completion milestone ahead of the relevant Electricity Capacity Report?

Question 19: Please explain the reasoning behind your response to question 18 and provide supporting evidence where appropriate. If you disagree, please provide suggestions and evidence for alternative methods that could be considered.

Question 20: Do you foresee any unintended consequences from earlier introduction of completion milestones?

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 (CM)	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.
Consumer-led flexibility (CLF)	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 represented via 'Demand Side Response' mechanisms.

Credit cover	A letter of credit or cash deposit required to be provided by a person (a prequalification applicant, a capacity provider or a supplier) to the Settlement Body. The Settlement Body may draw down on credit cover in certain circumstances set out in the Regulations and the Supplier Payment Regulations, e.g. if the person must pay the Settlement Body a termination fee in relation to the termination of a capacity agreement.
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 (GTC)	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.
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

Net Zero	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".
Satisfactory Performance Days (SPDs)	Days within the delivery year in which Capacity Providers must demonstrate that they are able to deliver their Capacity Obligation.
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.
The Electricity Capacity Regulations ("the Regulations")	This refers to the Electricity Capacity Regulations 2014, S.I. 2014/2043, the principal regulations underpinning the CM.
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.
Vehicle-to-Everything (V2X)	V2X, where "X" stands for everything, is the umbrella for all forms of technology whereby the EV battery can export electricity back to a system, be that a home (V2H), a building (V2B) such as a business or back to the electricity grid (V2G).
Vehicle-to-Grid (V2G)	A leading example of V2X – it allows electric batteries to store energy and discharge it back to the electricity network when it is most needed.

This consultation is available from: <https://www.gov.uk/government/calls-for-evidence/capacity-market-consumer-led-flexibility/>

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