UK Government

Capacity Market

Proposal regarding locational changes of Capacity Market Units

Closing date: 28 November 2025

Department for Energy Security and Net Zero (2025)

Contents

Executive Summary

The Capacity Market (CM) is at the heart of the government's strategy for ensuring security of electricity supply in Great Britain. It was introduced in 2014 as part of the Electricity Market Reform programme to support investment in capacity and deliver value for money for consumers. Existing and new build electricity capacity providers compete to obtain Capacity Market Agreements under which they commit to deliver capacity when needed, in return for guaranteed regular payments.

The proposal in this consultation aims to maintain the scheme's integrity. The change will ensure that the CM maintains its delivery assurance by ensuring that any Application for a New Build Capacity Market Unit (CMU) that wins a Capacity Agreement will commission as the CMU described in the initial Application at Prequalification.

The government believes this change needs to be made urgently. It is essential that the integrity of delivery assurance measures in the CM remains strong, and the government is concerned that the rules as currently drafted weaken provisions around the location of New Build CMUs. The government therefore intends to implement this proposal as soon as possible.

General information

Why we are consulting?

This consultation forms part of the government's commitment to regularly review the function and requirements on the participants of the CM. This is to ensure the scheme remains fit for purpose and reflects changing market conditions. The proposal in this consultation aims to reform the CM to maintain the integrity of scheme and to improve delivery assurance.

Consultation details

Issued: 3 November 2025

Respond by: 28 November 2025

Enquiries to:

Electricity Security and Market Reform
Capacity Market Delivery Team
Department for Energy Security and Net Zero
3-8 Whitehall Place
London
SW1A 2EG

Email: capacity.market@energysecurity.gov.uk

Consultation reference: Capacity Market: Proposal regarding locational changes of Capacity Market Units

Audiences: The government is seeking the views of 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 CM is in place across Great Britain. Energy is a devolved matter for Northern Ireland.

How to respond

Respondents are strongly encouraged to make use of the online platform wherever possible when submitting responses as this is the government's preferred method. This method also allows for the submission a single, combined response to both this consultation and the associated call for evidence referred to above, 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.

Respond online at: https://energygovuk.citizenspace.com/energy-security/locational-changes-of-capacity-market-units

Your response will be most useful if it is framed in direct response to the questions posed, though further comments and evidence are also welcome.

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).

Your personal data may be shared with our processor for the purposes of analysing the consultation responses on our behalf. Artificial Intelligence (AI) may be used in the analysis of consultation responses.

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.

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.

Introduction

The Capacity Market (CM) is the UK Government's main tool for ensuring continued security of electricity supply. The CM provides incentives for all forms of capacity, including generation, storage, consumer-led flexibility (also known as Demand Side Response (DSR)) and interconnection to be on the system to deliver when needed. The CM has undergone multiple changes since its inception in 2014, and the government is now proposing additional changes to enhance the delivery assurance of the scheme to ensure that the capacity procured in the CM auctions best reflects the capacity that is commissioned by the relevant Delivery Year.

In order to ensure the CM maintains suitable delivery assurances, it is important that the New Build projects that win Capacity Agreements in the auctions are the projects that are commissioned before the relevant Delivery Year. The government proposes removing the CM Rules that allow New Build and DSR Capacity Market Units (CMUs) to change location after an auction, to strengthen delivery assurance. This would remove all provisions relating to the ability to notify a change of address for a CMU, ensuring projects entered at Prequalification are genuinely deliverable at their stated site. DSR is included in this change since existing changes to the CM enable DSR Components to be changed through Rule 8.3.4, reducing the necessity for this pathway for DSR CMUs.

These reforms aim to improve confidence that New Build Generating CMUs reflect real, viable projects capable of supporting GB security of supply under evolving market conditions. The government considers that this change must be made urgently to maintain the integrity of the CM and to ensure that mechanisms that are in place to incentivise genuine New Build Capacity to build out remain effective. Whilst not the intention, the current rules on Change of Address have the unintended consequence of allowing a New Build Generating CMU, having met the rigorous bar of Prequalification, then move to potentially anywhere else in the country without being subject to the same level of assessment by the Delivery Body.

Consultation Proposal – Changing Address in the Capacity Market

Background

The CM has evolved significantly since its inception, with increasing complexity in the types of projects participating. Rule 8.3.7 was introduced in 2016 to formalise the requirements that a Capacity Provider had to go through to change the location of a New Build CMU or DSR CMU. This provision aimed to preserve auction acquired capacity by introducing an evidential requirement to demonstrate that any proposed location would be feasible to build the project laid out in the initial Application for that CMU.

The government recognises that the context in which the CM operates has changed since its inception in 2014. Allowing location changes after an auction introduces a risk that the CMU ultimately delivered is no longer the same project that secured the agreement. This weakens delivery assurance and does not sufficiently disincentivise Applicants from seeking to prequalify projects that are not feasible at the point of Prequalification.

Minded-to Proposal – Remove the ability for CMUs to change their address after Prequalification

The government's preferred approach is a change to the Rules that would disallow any New Build CMU or DSR CMU from changing the location of a Generating Unit or DSR CMU Component in the manner currently described in Rule 8.3.7. This will not affect DSR CMU's ability to notify new DSR Components under CM Rule 8.3.4(e).

The government seeks to ensure that the CMUs that win Capacity Agreements in the auctions represent the actual capacity delivered at the start of any relevant Delivery Year and that Applicants should only enter projects into the CM that could genuinely come online by the start of any relevant Delivery Year or Declared Long Stop date as described in their Prequalification Application. This is essential considering the government's proposals regarding a Multiple Price CM which introduces (subject to consultation) a second, higher, price cap into the auction that could, if needed, secure new build dispatchable enduring capacity that can generate power over prolonged periods of tight supply[1]. Removing the ability for New Build Projects to change their address would provide greater assurances that Applicant CMUs represent genuine New Build CMUs that can contribute to GB Security of Supply.

The government is therefore proposing the omission of Rule 8.3.7 in its entirety and Rule 12.2.1(ca)(iv). The government is also proposing the removal of Rule 7.5.1(r)

---

[1] Consultation on changes for Prequalification 2026

which currently allows Capacity Providers to notify the Delivery Body of a change of location. This does not impact the ability of DSR CMU Capacity Providers from adding new components under Rule 8.3.4(e).

This proposal would apply to all current and future agreements from the point of it coming into force. This is required to ensure that New Build capacity that has won agreements represents genuine new capacity that will be built out to contribute to GB security of supply.

Alternative Proposal (considered but not pursued)– Limited Change of Address Route

The government has considered, but will not be pursuing, an alternative approach which would have provided a limited route for a viable project to move to a new location because delivering in the location described in the initial Application is no longer achievable.

In this approach Capacity Providers, as they do now, would have to provide clear documentary evidence of their Relevant Planning Consents as part of their notification, including the maximum allowable capacity granted under the Relevant Planning Consent, and demonstrate that the new location can support the New Build CMU and all other CMUs to which the Relevant Planning Consents relate to.

The Delivery Body would have to be assured that the new address had the relevant permissions to allow for the New Build CMU, as described in the Construction Plan provided under Rule 3.7.2, to be built at the new location before the Change of Address is accepted. The government would have changed Rule 8.3.7(b) so that a change of address notification would only be approved once the Delivery Body had received notification from the CM Settlement Body that the requirements under Rule 8.3.7(b) had been met, including verification of the Approved Metering Solutions provided by the Capacity Provider for the proposed new address.

A new rule would also have been made to give the Delivery Body 20 working days from receipt of documentation in 8.3.7(a) and notification from the Settlement Body that the provisions of Rule 8.3.7(b) had been met to accept or reject the Change of Address request (under Rule 8.3.7(a)). Rule 7.5.1(r) would also be amended to indicate that the 10 working days to update the CM register would begin after the Change of Address request was approved by the Delivery Body, not after it was submitted. A refusal by the Delivery Body to accept a change of address request would have been made a reviewable decision under Regulation 68 of the Electricity Capacity Regulations 2014.

The government has elected not to pursue this option as it does not provide sufficient delivery assurance to satisfy concerns about unfeasible projects being brought forward.

Question 1: Do you agree with the proposal to remove the Change of Address provisions in the Capacity Market?

Question 2: Please provide as much detail as possible to substantiate your answer to the above question.

Question 3: Do you agree that removing the Change of Address provisions would not have any negative impact on DSR CMUs and their ability to reallocate DSR Components?

Question 4: Are there any unintended consequences for removing the Change of Address provisions in Rule 8.3.7 from the Capacity Market?

Question 5: if so, please elaborate.

Question 6: Are there any unintended consequences of removing Rule 7.5.1(r) from the Capacity Market?

Question 7: Have you previously used the change of address provisions in the CM Rules, or would you consider using them in the future?

Question 8: If you have used the Change of Address provisions in the CM Rules before, please provide as much detail as you can as to why you did so

Next steps

This consultation will remain open to written responses for 2 weeks from 29 October 2025, closing on 1 November 2025. The government will analyse all responses to inform further policy development. A response is expected in winter 2026, outlining the proposals the government intends to implement. These proposals will be informed by the range of responses the government receives by further stakeholder engagement and by additional analysis.

The government has historically made changes to the CM through legislative changes for the following Delivery Year. As in every year, this is, however, subject to when parliamentary time allows. Implementation will also be subject to ensuring the proposed changes are compliant with the requirements of the UK's domestic subsidy control regime.

The government has undertaken analysis as part of the public sector equality duty (PSED) process, and the government does not believe that any groups are likely to be disproportionately affected by the policies. The effect on consumer bills is expected to be minimal and no effects on protected groups are foreseen. 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 affect equality, please indicate this in your responses.

Glossary

Abbreviation / Term	Definition
Applicant	The person that has submitted or is entitled to submit an Application with respect to a Capacity Market Unit, as determined in accordance with Rule 3.2.
Application	An application that is to be completed by the Applicant in accordance with Rule 3.3.6(a) and includes a Registration Declaration.
Approved Metering Solution	Approved Metering Solution means: (a) a Metering Configuration Solution (including CM Aggregation Rules) approved by the CM Settlement Body which is an arrangement of Metering Equipment for: (i) a Generating Unit that is not a BM Unit; (ii) a DSR CMU Component that is not a BM Unit; or (iii) a CMU that is a partial BM Unit; or (b) a Metering Configuration Solution in respect of a Generating Unit or DSR CMU Component where such Metering Configuration Solution is comprised of a BM Unit that is registered in the Central Meter Registration Service in accordance with the BSC and CM Aggregation Rules are in place
Capacity	An amount of electrical generating capacity or CLF 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, as a result of which successful bidders are awarded Capacity Agreements.
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 Provider	A person who holds a Capacity Agreement or a transferred part in respect of a Capacity Agreement.

Consumer-led Flexibility (CLF)	Also known to industry as Demand Side Response (DSR), CLF is a method of reducing electricity demand. This can be achieved by either reducing demand by switching off assets or by starting up on-site generators to provide electricity in place of drawing it from the distribution network or transmission network.
Delivery Body	The National Energy System Operator (NESO).
Delivery Year	In relation to a Capacity Auction, this means the year for which a one-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 to 30 September of each calendar year.
Demand Side Response (DSR)	Also known as consumer led flexibility (CLF). DSR is a method of reducing electricity demand. This can be achieved by either reducing demand by switching off assets or by starting up on-site generators to provide electricity in place of drawing it from the distribution network or transmission network. CMUs can be Proven or Unproven DSR CMUs, with specific testing and metering requirements.
Demand Side Response (DSR) component	A DSR CMU Component is an individual site or unit within a DSR CMU. Each must be metered and tested, and changes to components are governed by Rule 8.3.4.
Long Stop Date	For any Refurbishing CMU or New Build CMU, the date falling 12 months after the start of the CMU's first scheduled Delivery Year, except where a T-1 Agreement has been awarded in respect of a New Build CMU or Refurbishing CMU, the start of the relevant Delivery Year.
New Build CMU	A Prospective CMU other than a Refurbishing CMU
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.
Relevant Planning Consent	Applicants must demonstrate they have obtained necessary planning permissions for their CMUs. This is part of the Prequalification process and affects eligibility.

Settlement Body	The CM Settlement Body is the designated entity responsible for: • Administering payments (e.g., Capacity Payments, Termination Fees). • Receiving and managing Credit Cover. • Overseeing metering data and performance compliance. It plays a central role in financial and operational settlement under the Capacity Market framework.
The Electricity Capacity Regulations ("the Regulations")	This refers to the Electricity Capacity Regulations 2014, S.I. 2014/2043, the principal regulations underpinning the CM.

This publication is available from: www.gov.uk/government/consultations/capacity-market-proposal-regarding-locational-changes-of-capacity-market-units

Any enquiries regarding this publication should be sent to us at:
capacity.market@energysecurity.gov.uk

If you need a version of this document in a more accessible format, please email alt.formats@energysecurity.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.