

The Capacity Market (Amendment) (No.2) Rules 2026

Presented to Parliament pursuant to section 41(9) of the
Energy Act 2013

The Capacity Market (Amendment) (No.2) Rules 2026

1 Citation, Commencement and Interpretation

- 1.1** These Rules may be cited as the Capacity Market (Amendment) (No.2) Rules 2026.
- 1.2** These Rules come into force when the Electricity Capacity (Amendment and Transitional Provision) Regulations 2026 come into force.
- 1.3** In these Rules:
- 1.2.1 “the Rules” means the Capacity Market Rules 2014 as amended by:
- (a) the Capacity Market (Amendment) Rules 2014;
 - (b) the Capacity Market (Amendment) (No. 2) Rules 2014;
 - (c) the Capacity Market (Amendment) Rules 2015;
 - (d) the Capacity Market (Amendment) (No. 2) Rules 2015;
 - (e) the Capacity Market (Amendment) Rules 2016;
 - (f) the Capacity Market (Amendment) (No. 2) Rules 2016;
 - (g) the Capacity Market (Amendment) (No. 3) Rules 2016;
 - (h) the Capacity Market (Amendment) Rules 2017;
 - (i) the Capacity Market (Amendment) (No. 2) Rules 2017;
 - (j) the Capacity Market (Amendment) (No. 3) Rules 2017;
 - (k) the Capacity Market (Amendment) (No. 4) Rules 2017;
 - (l) the Capacity Market (Amendment) Rules 2018;
 - (m) the Capacity Market (Amendment) Rules 2019;
 - (n) the Capacity Market (Amendment) (No. 2) Rules 2019;
 - (o) the Capacity Market (Amendment) (No. 3) Rules 2019;
 - (p) the Capacity Market (Amendment) (No. 4) Rules 2019;
 - (q) the Capacity Market (Amendment) (No. 5) Rules 2019;
 - (r) the Capacity Market (Amendment) Rules 2020;
 - (s) the Capacity Market (Amendment) (No. 2) Rules 2020;
 - (t) the Capacity Market (Amendment) (No. 3) Rules 2020;

- (u) the Capacity Market (Amendment) Rules 2021;
- (v) the Capacity Market (Amendment) (No. 2) Rules 2021;
- (w) the Capacity Market (Amendment) Rules 2022;
- (x) the Capacity Market (Amendment) (No. 2) Rules 2022;
- (y) the Capacity Market (Amendment) Rules 2023;
- (z) the Capacity Market (Amendment) Rules 2024;
- (z1) the Capacity Market (Amendment) (No. 2) Rules 2024;
- (z2) the Capacity Market (Amendment) (No. 3) Rules 2024;
- (z3) the Capacity Market (Amendment) Rules 2025;
- (z4) the Capacity Market (Amendment) (No. 2) Rules 2025;
- (z5) the Capacity Market (Amendment) (No. 3) Rules 2025; and
- (z6) the Capacity Market (Amendment) Rules 2026.

1.3.2 a reference to a Chapter, Rule or numbered Schedule by number alone is a reference to the Chapter, Rule or Schedule so numbered in the Rules; and

1.3.3 expressions which are defined in the Rules have the same meaning as in the Rules.

2 Application

2.1 All amendments apply (unless otherwise stated or amended from time to time) in respect of any Capacity Agreement that has been awarded as a result of a Capacity Auction held before these Rules come into force and in respect of any Capacity Agreement awarded as a result of a Capacity Auction held after these Rules come into force.

3 Amendments

3.1 The Rules are amended as set out in the Schedule to these Rules.

Signed and dated:



1st May 2026

Minister Shanks

Minister of State (Minister for Energy)

Department for Energy Security and Net Zero

SCHEDULE

Part 1

Connection Capacity in Storage Generating Technology Classes

1. Amendments to Chapter 3 (Prequalification Information)

1.1 In Rule 3.4.5 (Statement as to Capacity), after Rule 3.4.5(c), insert:

“(d) where Rule 3.5.6 applies, both the Connection Capacity determined in accordance with Rule 3.5.2 or 3.5.5 and the Connection Capacity determined in accordance with Rule 3.5.6 must be stated.”

1.2 In Rule 3.5 (Determining the Connection Capacity of a Generating CMU):

(a) In Rule 3.5.2, for “and 3.5.5”, substitute “, 3.5.5 and 3.5.6”.

(b) After Rule 3.5.5, insert;

“3.5.6 Nomination of Connection Capacity for a battery Storage Facility

(a) In addition to Rule 3.5.2 or 3.5.5, the Applicant for a Generating CMU in the Storage Generating Technology Class that is comprised of a battery Storage Facility may elect to nominate Connection Capacity of a Generating Unit.

(b) The Connection Capacity nominated in accordance with Rule 3.5.6(a) must not be less than 50% of the value calculated under 3.5.2 or 3.5.5.”.

Part 2

Contracts for Difference

2. Amendments to Chapter 1 (General Provisions)

2.1 After the definition of “Aggregate Transfer Declaration”, insert:

“Allocation Round CFD has the meaning given in Regulation 16(4).”

2.2 After the definition of “Director”, insert:

“Direct Award CFD has the meaning given in Regulation 16(4)”

3. Amendments to Chapter 3 (Prequalification Information)

3.1 In Rule 3.4.7(a):

(a) in sub-paragraph (i):

(i) in paragraph (aa), in each place it occurs, substitute “CFD”, with “Allocation Round CFD”;

(ii) in paragraph (cc), after “Low Carbon Exclusion”, insert “of the type described in paragraph (a) of the definition of “Low Carbon Exclusion” in Regulation 16(4) or an Allocation Round CFD”.

(b) in sub-paragraph (iii), for “CFD” substitute “Allocation Round CFD”.

(c) After sub-paragraph (iii), insert:

“(iv) if the CMU to which the Application relates is the subject of an offer of a Direct Award CFD that has been made and remains open for acceptance, or a Direct Award CFD that has been entered into and has not expired or been terminated, include a Non-Support Confirmation.”.

3.2 In Rule 3.4.7(d), after “Rule 3.4.7(a)(ii)” insert “or Rule 3.4.7(a)(iv)”.

4. Amendments to Chapter 6 (Capacity Agreements)

4.1 After Rule 6.10.6, insert:

“6.10.7 Where a Capacity Provider in respect of a CMU which, after the Capacity Agreement is awarded, will or may benefit from support under a Low Carbon Exclusion which is:

(a) of the type described in paragraph (a) of the definition of “Low Carbon Exclusion” in Regulation 16(4) or

(b) a Direct Award CFD,

does not provide the Delivery Body a Non-Support Confirmation in respect of the CMU, then Rule 6.10.1(d)(iii) applies.”.

Part 3

Termination and Applicant Credit Cover

5. Amendments to Chapter 3 (Prequalification information)

5.1 In Rule 3.6C.1(b)(i), at the end, omit “and”.

5.2 After Rule 3.6C.1(b)(ii), insert:

“; and

- (iii) in respect of an Application made after the coming into force of the Capacity Market (Amendment) (No. 2) Rules 2026, that the Applicant has provided any further Applicant Credit Covered required to meet the obligations under Regulation 59 in respect of a New Build Interconnector CMU to which that existing Capacity Agreement relates.”.

5.3 After Rule 3.7.5 insert:

“3.7.6 Applicant Credit Cover

Each Applicant for a New Build Generating CMU must declare that if, following the making of the Application, the CMU will be a Conditionally Prequalified CMU, it will provide Applicant Credit Cover, and maintain it in accordance with the Regulations until the date the Capacity Agreement takes effect in accordance with the Rules.”.

5.4 In Rule 3.10.3(b):

(a) In sub-paragraph (ii), at the end, omit “and”;

(b) After sub-paragraph (iii), insert:

“; and

- (iv) in respect of an Application made after the coming into force of the Capacity Market (Amendment) (No. 2) Rules 2026, that the Applicant has provided any further Applicant Credit Covered required to meet the obligations under Regulation 59 in respect of an Unproven DSR CMU to which that existing Capacity Agreement relates.”.

6. Amendments to Chapter 4 (Determination of Eligibility)

6.1 For Rule 4.5.1(b)(ii), substitute:

“(ii) that its Prequalification is conditional upon the Applicant satisfying the requirement in Rule 4.6 and the amount of Applicant Credit Cover to be provided if:

(aa) the CMU is a New Build CMU: which has not yet satisfied its Financial Commitment Milestone; and which has not yet satisfied either its Substantial Completion Milestone or its Minimum Completion Requirement (as applicable); and unless the Applicant is a person to whom Rule 3.6C.1 applies who has complied with the requirements in Rule 3.6C.1(b): or

(bb) the CMU is an Unproven DSR CMU and unless the Applicant is a person to whom Rule 3.10.3 applies and who has complied with the requirements of Rule 3.10.3(b).”.

6.2 For Rule 4.5A.2, substitute:

“4.5A.2 This Rule 4.5A.2 applies where the CM Settlement Body has given notice under Rule 4.5C that:

- (a) the CM Settlement Body has drawn down the Applicant Credit Cover previously provided under Regulation 61;
- (b) in the case of an Unproven DSR CMU, the CM Settlement Body has released Applicant Credit Cover previously provided, under Regulation 58(1)(a); or
- (c) in respect of an Application made after the coming into force of the Capacity Market (Amendment) Rules (No.2) 2026, further Applicant Credit Cover is required in order to comply with Regulation 59(2).”.

6.3 For Rule 4.5B.2, substitute:

“4.5B.2 This Rule 4.5B.2 applies where the CM Settlement Body has given notice under Rule 4.5C that:

- (a) the CM Settlement Body has drawn down the Applicant Credit Cover previously provided under Regulation 61;
- (b) in the case of an Unproven DSR CMU, the CM Settlement Body has released Applicant Credit Cover previously provided, under Regulation 58(1)(a); or
- (c) in respect of an Application made after the coming into force of the Capacity Market (Amendment) Rules (No.2) 2026, further Applicant Credit Cover is required in order to comply with Regulation 59(2).”.

6.4 In Rule 4.5B.4, for “credit cover”, substitute “Applicant Credit Cover”.

7. Amendments to Chapter 6 (Capacity Agreements)

7.1 In Rule 6.6A, after Rule 6.6A.3, insert:

“6.6A.4 In respect of a Capacity Agreement awarded after the coming into force of the Capacity Market (Amendment) (No.2) Rules 2026:

- (a) where P provides increased Applicant Credit Cover under Rule 6.6A.2 and Regulation 59(4)(a); and
- (b) subsequently, the Delivery Body is satisfied that P has met the requirements in Rule 6.6.1, then Rule 6.6A.5 applies.

6.6A.5 Where this Rule 6.6A.5 applies:

- (a) the Delivery Body must notify P within 5 Working Days of the Delivery Body being satisfied that P has met the requirements in Rule 6.6.1 that P is eligible to request a portion of its Applicant Credit Cover be released in accordance with Regulation 59(4)(b); and
- (b) P may submit a request to the CM Settlement Body for a portion of its Applicant Credit Cover to be released in accordance with the Regulations.”.

7.2 After Rule 6.7B.2(b), insert:

“6.7C Substantial Completion Milestone: Requirement to Provide Additional Applicant Credit Cover

6.7C.1 This Rule 6.7C applies in respect of a Capacity Agreement awarded after the coming into force of the Capacity Market (Amendment) (No.2) Rules 2026 where a Capacity Provider for a New Build CMU has not achieved its Substantial Completion Milestone by:

- (a) the start of the Delivery Year for a New Build CMU that is not a Declared Long Stop CMU; or
- (b) two months prior to the Long Stop Date for a Declared Long Stop CMU.

6.7C.2 Where this Rule 6.7C applies, the Delivery Body must, within 10 Working Days, notify the Capacity Provider and the Settlement Body that the Capacity Provider must provide the increased amount of Applicant Credit Cover in accordance with Regulation 59(5A) and (5B).”.

7.3 After Rule 6.10.1(ba) insert:

- “(bb) where the Capacity Agreement is in respect of a New Build CMU subject to an Application made after the coming into force of the Capacity Market (Amendment) (No.2) Rules 2026, and:
 - (i) where Rule 6.7C.2 applies, the New Build Capacity Provider has not lodged Applicant Credit Cover as required in order to comply with Regulation 59(5A) and (5B); or
 - (ii) the New Build Capacity Provider has lodged that Applicant Credit Cover but failed to maintain it in accordance with the Regulations.”.

7.4 In Rule 6.10.3, after “(j)” insert:

- “(k) Where a Capacity Agreement awarded as a result of a Capacity Auction held after the coming into force of the Capacity Market (Amendment) (No.2) Rules 2026, or a Transferred Part in respect of such a Capacity Agreement, is terminated on one of the grounds specified in Rule 6.10.1(b), (ba), (bb), (c), (d), (e), (g), (ga), (h), (ha), (i), (l), (n), (o), (p), (q), (r), (s) or Rule 6.10.1A(b)(i), the Capacity Provider is liable to pay a Termination Fee in accordance with Regulation 43.
- (l) The amount of the Termination Fee payable under Rule 6.10.3(k) is:
 - (i) TF6, as determined in accordance with Regulation 43(3), where the Capacity Agreement is terminated on the ground specified in Rule 6.10.1(i).
 - (ii) TF7, as determined in accordance with Regulation 43(3), where the Capacity Agreement is terminated on of the grounds specified in Rule 6.10.1(ba)(i), (d), (h), (ha), (l) or (n).
 - (iii) TF8, as determined in accordance with Regulation 43(3), where the Capacity Agreement is terminated on of the grounds specified in Rule 6.10.1(b), (ba)(ii), (e), (o), (p), 6.10.1(q), (r) or (s).

- (iv) TF9, as determined in accordance with Regulation 43(3), where the Capacity Agreement is terminated on of the grounds specified in Rule 6.10.1 (bb), (c), (g), (ga) or 6.10.1A(b)(i).”.

7.5 In Rule 6.10.3A(a), omit “(a)”.

7.6 In Rule 6.10.3A(b), omit “(a)”.

8. Amendments to Chapter 7 (Capacity Market Register and Capacity Market Metering Register)

8.1 In Rule 7.4.1(d)(vii), before paragraph (aa) insert

“(zaa) a New Build CMU which has not yet satisfied its Substantial Completion Milestone;”

8.2 In Rule 7.4.5(m), for “5” substitute “9”.

9. Amendments to Chapter 8 (Obligations of Capacity Providers and System Stress Events)

9.1 In Rule 8.3.5, after “it must notify the other Administrative Parties” insert “as soon as reasonably practicable, and in any event within two Working Days”.

9.2 After Rule 8.3.5, insert:

“8.3.5A Suspending Capacity Payments during an Insolvency Termination Event

8.3.5A.1 If a Capacity Committed CMU has received a Termination Notice in relation to the ground specified in Rule 6.10.1(a), the Capacity Committed CMU’s entitlement to Capacity Payments is suspended in accordance with Regulation 51 from the date of Termination Notice.

8.3.5A.2 Where Rule 8.3.5A.1 applies:

- (a) the Delivery Body must serve the Termination Notice on the Settlement Body.
- (b) the Settlement Body must suspend all Capacity Payments to that Capacity Committed CMU with effect from the date on which the Termination Notice is issued.

8.3.5B Reconsidered Decisions: Insolvency Termination Event

- (a) Rule 8.3.5B(b) applies if a Capacity Committed CMU has received a Termination Notice in relation to termination on the ground specified in rule 6.10.1(a) and, after reconsideration under Regulation 69 by the Delivery Body or an appeal to the Authority under Part 10 of the Regulations, the Delivery Body withdraws the Termination Notice.
- (b) Where this Rule applies:
 - (i) the Capacity Committed CMU will not be treated as being Insolvent.
 - (ii) if Capacity Payments have been suspended under Rule 8.3.5A.1 and Regulation 51, those Capacity Payments should be paid to the Capacity Committed CMU after the Reconsidered Decision or the appeal to the Authority is determined in accordance with Regulation 52.”.

Part 4

DSR CMUs: De-rating

10. Amendments to Chapter 2 (Auction Guidelines and De-rating)

- 10.1** In Rule 2.3.5(b), for the words “immediately preceding Core Winter Periods”, substitute “most recent active Core Winter Periods for which data is available”.

Part 5

Energy from Waste

11. Amendments to Schedule 3 (Generating Technology Classes)

11.1 In Schedule 3:

- (a) in paragraph 1.1, in the table, in the column “Plant types Included”, in the entry for Energy from Waste, for “waste”, substitute “Waste”.
- (b) in paragraph 1.2:
 - (i) at the end of the definition of “Reciprocating Engine”, omit “and”;
 - (ii) after the definition of “Reciprocating Engine”, insert:

“Waste”, has the meaning given in section 37(1) of the Waste and Emissions Trading Act 2003; and”.

Part 6

Secondary Trading

12. Amendments to Chapter 2 (Auction Guidelines and De-rating)

- 12.1** In Rule 2.3.3(b), for “awarded in the Capacity Auction to which such Auction Guidelines relate.” substitute “where the relevant De-rating Factors are those published in the Auction Guidelines for the T-1 Auction for the Delivery Year to which the trade relates”.

13. Amendments to Chapter 3 (Prequalification Information)

- 13.1** In Rule 3.13.2 after “comply with Chapter 3” insert “as if it were an Application for a Capacity Auction”.

Part 7

Auction Timetable

14. Amendments to Chapter 1 (General Provisions)

14.1 After the definition for “Prequalification Decision”, insert:

“Prequalification Initial Dispute Window means, for a Capacity Auction and Prequalification Window, the period specified in the Auction Guidelines within which disputes of Prequalification Decisions are to be made to the Delivery Body in accordance with the process set out in Regulation 69”.

15. Amendments to Chapter 2 (Auction Guidelines and De-Rating)

15.1 In Rule 2.2.2 for the table after the chapeau text, substitute:

“Date	Activity
T – 31 weeks	Prequalification Window opens
T– 23 weeks	Prequalification Window closes
T –17 weeks	Prequalification Results Day
T – 17 weeks	Prequalification Initial Dispute Window opens
T – 16 weeks	Prequalification Initial Dispute Window closes
T – 13 weeks	Notification of decisions by the Delivery Body in respect of disputes against Prequalification Decisions.
T – 3 weeks	Notification of updated Auction Parameters and confirmation of the conditional Prequalified Applicants which have fully Prequalified pursuant to Rule 4.6.3
T – 2 weeks	Price-Maker decisions and decisions under Rules 5.5.11 and 5.5.13 to be notified to Auctioneer
T	Time for first Bidding Window to commence and first Bidding Window to close.”.

16. Amendments to Chapter 4 (Determination of Eligibility)

16.1 In Rule 4.10.1, at the end, insert “during the Prequalification Initial Dispute Window”.

Part 8

Severe IT issues during a Prequalification Window

17. Amendments to Chapter 2 (Auction Guidelines)

17.1 In Rule 2.2.3(d), at the end, insert “and Rules 3.3.7A and 3.3.7B.”.

18. Amendments to Chapter 3 (Prequalification Information)

18.1 After Rule 3.3.7, insert:

“3.3.7A IT failure: Extension of Prequalification Window by Delivery Body.

- (a) The Delivery Body may extend the Prequalification Window by up to 5 Working Days, provided that:
 - (i) An IT failure preventing access to the EMR Delivery Body Portal has occurred; and
 - (ii) The issue is determined by the Delivery Body to have impacted all Applicants’ ability to submit Applications.
- (b) The Delivery Body must issue adjusted Auction Guidelines to reflect the revised timetable of the adjusted Prequalification Window.
- (c) The Delivery Body must notify the Authority of any extension to the Prequalification Window.

3.3.7B IT failure: Extension of Prequalification Window by the Secretary of State.

- (a) Where the conditions set out in Rule 3.3.7A(a) are met, the Secretary of State may, in addition to any extension to the Prequalification Window made under Rule 3.3.7A, extend the Prequalification Window by a further period of up to 5 Working Days.
- (b) The Delivery Body must issue adjusted Auction Guidelines to reflect the revised timetable of the adjusted Prequalification Window.
- (c) The Secretary of State must notify the Authority of any extension to the Prequalification Window.”.

18.2 In Rule 3.13.2, after “Prequalification Window” insert “and any extension to the Prequalification Window under Rules 3.3.7A and/or 3.3.7B.”.

Part 9

Corrections and Miscellaneous

19. Amendments to Chapter 1 (General Provisions)

- 19.1** In Rule 1.2.1, in the definition of “Long Stop Date”, in paragraph (a), after “the CMU”, insert “or where, in any case, a Capacity Agreement has a duration of one Delivery Year”.

20. Amendments to Chapter 8 (Obligations of Capacity Providers and System Stress Events)

- 20.1** In Rule 8.3.3(f), in sub-paragraph (i), after the words “10 Working Days”, insert “of providing a completed Metering Assessment to the Settlement Body,”.

21. Amendments to Chapter 14 (Data Provision)

- 21.1** In Rule 14.4 (System Operator and delivery: data provision), in Rule 14.4.5, at each place it occurs, after “14.4.2”, insert “, 14.4.2A, 14.4.2B,”.