Electricity Storage Network

Consultation response

Capacity Market: proposals to integrate low carbon technologies and enhance delivery assurance ahead of Prequalification 2026

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Electricity Storage Network

The **Electricity Storage Network (ESN)** is **the industry group and voice for grid-scale electricity storage in GB**. The ESN has 100 members who have a mission to promote the use of energy storage and flexibility to support the net-zero transition. The ESN membership includes clean energy developers, owners, investors, optimisers, and academic institutions. This includes representation from publicly listed specialist funds focusing on storage and independent developers that have raised several billion pounds to invest in this new technology.

This response is based on input from our members involved in developing grid-scale electricity storage projects in GB, as well as feedback received via our Markets and Revenues working group.

About Regen

Regen manages the ESN. Regen provides independent, evidence-led insight and advice supporting our mission to transform the UK's energy system for a net zero future. We focus on analysing the systemic challenges of decarbonising power, heat and transport. We know that a transformation of this scale will require engaging the whole of society in a just transition.

Regen is also a membership organisation, managing the Regen members' network and the Electricity Storage Network (ESN). We have over 200 members who share our mission, including clean energy developers, businesses, local authorities, community energy groups, academic institutions, and research organisations.

Continuing engagement

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Summary and recommendations

Regen and the Electricity Storage Network have responded to the following recent consultations/calls for input on the Capacity Market (CM):

- Electricity Storage Network response to changes for Prequalification 2026 – November 2025
- Electricity Storage Network response to proposal regarding locational changes – November 2025
- Electricity Storage Network response to ESO de-rating methodology consultation – May 2024
- Electricity Storage Network response to second REMA consultation – May 2024
- Regen & ESN response to Ofgem 10-year review of the Capacity Market – February 2024
- Regen & ESN response to capacity market consultation (phase 2) – December 2023
- Regen & ESN response to capacity market consultation (phase 1) – March 2023

This provides background information on our wider thinking regarding the CM and the reform process. The Capacity Market remains a crucial revenue opportunity for battery storage and other LDES technologies. Short-duration storage doesn't benefit from any other revenue support, and research presented by Modo Energy shows that storage has accounted for only £200m of roughly £8bn spent on Capacity Market support to date[1]. The CM remains critical to deploying storage assets, and we have also responded to the government's recent consultation in November 2025 on changes for 2026 prequalification.

In that response, we argued that the government's proposed price-related reforms, including higher price caps for selected technologies, are unlikely to improve security of supply and risk undermining the technology-neutral foundation of the Capacity Market. There is no evidence that only the proposed technologies can meet system needs or that they cannot be delivered under the current cap. A higher cap could increase consumer costs, distort competition and divert investment from cleaner, more cost-effective solutions.

The government is now consulting on details of this proposal, including a new, higher price CapEx threshold initially of £475/kW to access CM agreements over the existing CM price cap of £75/kW. ESN recommends avoiding technology-specific price tiers, eligibility categories and capacity sub-targets, all of which risk raising costs without delivering additional benefit. Instead

of pre-selecting technologies, the government should define system needs through clear, performance-based requirements, such as duration and stress-event deliverability, and strengthen delivery incentives and non-delivery penalties to ensure reliability while preserving competition and value for money.

A higher price cap excluding low-carbon technologies is not in line with the government's Clean Power mission or Clean Flexibility Roadmap and is, in our view, unnecessary. Any introduction of higher CM payments without strict emissions and running-hour limits risks locking in new unabated high-carbon plants. Additionally, the latest Capacity Market registers how an unusually high number of refurbishing projects – especially CCGT units – are eligible for multi-year agreements, potentially securing more than 15 GW of capacity from 2029. This raises questions about the need for a multiple-price CM supporting new-build gas projects if existing sites can already provide enduring, dispatchable capacity within the current price cap.

Key recommendations:

Recommendation: Keep the CM technology-neutral so that all capable technologies can compete on equal terms.

Recommendation: Avoid creating a new higher CapEx threshold for a higher price cap, which distorts competition and risks sidelining cheaper technologies that could deliver the same service more efficiently.

Recommendation: The government should define system needs through clear performance requirements, such as the duration for which capacity must be maintained during stress periods and the required performance, building on the existing derating framework.

Recommendation: If introduced, the government should apply strict emissions and running-hour limits to any plant receiving higher Capacity Market payments to avoid unfairly supporting high-carbon generation.

Recommendation: DESNZ to reassess the need for new build capacity given the latest data on refurbished CCGT asset capacity.

LDES cap and floor

Our members do not support proposals to materially change how LDES Cap and Floor recipients participate in the Capacity Market, including defaulting projects to Price Taker status, restricting agreement length or removing access to long stop options. Projects have bid into the scheme in good faith based on existing CM rules, and retrospective changes risk undermining investor confidence and slowing the delivery of assets needed for Clean Power 2030.

LDES cap and floor recommendations:

Recommendation: DESNZ to reject proposals for LDES cap and floor recipients to be given price-taker status in the Capacity Market.

Recommendation: DESNZ to retain the option to submit a price maker memorandum under Rule 4.8.

Recommendation: DESNZ to retain access to multi-year agreements for LDES cap and floor recipients.

Recommendation: DESNZ to reject this option to reduce the length of agreements for those who are successful in the LDES cap and floor process.

Recommendation: DESNZ and NESO to work with the industry to confirm how the Director's Declaration can work in practice.

Responses to questions

Question 10: Do you agree with proposals that LDES Cap and Floor recipients should be Price Takers by default?

No, we do not think this is appropriate.

Question 11: If you disagree, please provide your reasoning.

Projects have bid for the LDES cap and floor in good faith, taking into account the ability to bid for CM agreements in the existing way. Removing or changing how assets can bid and gain revenue in the CM at this stage of the LDES cap and floor development process would undermine investor confidence and require a shift in revenue models.

Recommendation: DESNZ to reject proposals for LDES Cap and Floor recipients to be given price-taker status in the Capacity Market.

Question 12: Do you agree that LDES Cap and Floor recipients should retain the option to submit a Price Maker Memorandum as under Rule 4.8?

As discussed in questions 10 and 11, our members do not support a shift to price takers for LDES applicants by default. If this proposal is taken forward, then it is important to retain the option for LDES Cap and Floor recipients to submit a Price Maker Memorandum. LDES technologies vary significantly in scale, technical complexity, construction risk and financing structure. A blanket prohibition on Price Maker status would risk oversimplifying this diversity and could exclude legitimate cases where higher CM revenues are justified. Retaining the Price Maker Memorandum route provides a necessary safety valve, allowing assessment where necessary while preserving regulatory oversight and transparency.

Recommendation: DESNZ to retain the option to submit a price maker memorandum under Rule 4.8.

Question 13: If not, please provide your reasoning.

No answer provided.

Question 14: Do you believe the introduction of the above risks has unintended consequences? If so, please provide details and evidence.

Our members do not anticipate any significant unintended consequences, provided the framework is implemented in a proportionate manner.

However, our members note that there is a broader risk across both the Capacity Market and the LDES Cap and Floor regime of cumulative conservatism, where multiple layers of restriction are applied simultaneously. Members raised concerns that excessive controls, taken together, could undermine investability and slow deployment at a time when delivery pace is critical for Clean Power 2030.

To mitigate this risk, our members recommend that:

- The criteria and evidential requirements for Price Maker Memoranda are clearly set out in advance.
- Decisions are applied consistently and transparently across technologies.
- The interaction between Price Taker default status and other CM restrictions (e.g. agreement length, long stop access) is kept under review to ensure proportionality.

With these safeguards in place, the proposed approach strikes an appropriate balance between protecting consumers and maintaining an investable framework for LDES.

Question 15: Do you believe LDES Cap and Floor recipients participating in the CM should have access to agreements extending beyond one year and up to 15 years or be limited to a single year only?

LDES Cap and Floor recipients should retain access to multi-year CM agreements.

Question 16: Please provide reasons and evidence to support your views.

Multi-year agreements remain important for bankability and financing efficiency, even where LDES cap and floor support is present. The LDES cap and floor do not eliminate delivery risk, construction risk or operational performance risk. Restricting LDES projects to single-year agreements would weaken the investment signal and could materially slow the deployment of assets required in the early 2030s.

Projects have bid for the LDES cap and floor in good faith, taking into account the ability to bid for multi-year CM agreements. Removing that ability at this stage of the LDES cap and floor project development process would undermine investor confidence and require a shift in revenue models.

Recommendation: DESNZ to retain access to multi-year agreements for LDES cap and floor recipients.

Question 17: Please share your views on the option of reducing CM agreement lengths for a CMU successful at CM auctions which is latterly successful in an application to the LDES Cap and Floor.

Reducing CM agreement lengths after a project secures an LDES cap and floor risks retrospective policy change and undermines investor confidence. Any such change should apply only to new agreements.

Recommendation: DESNZ to reject this option to reduce the length of agreements for those who are successful in the LDES cap and floor process.

Question 18: Do you agree or disagree that LDES Cap and Floor recipients and live applicants should be restricted from accessing long stop options?

Disagree.

Question 19: Please provide justification and evidence to support your response.

LDES projects have long construction timelines and complex delivery risks. Removing access to long stop provisions risks excluding otherwise viable projects from the CM or forcing premature auction participation. This would increase delivery risk rather than reduce it.

As stated previously, project developers have bid for the LDES cap and floor in good faith, taking into account the ability to bid for multi-year CM agreements. Removing that ability at this stage of the LDES cap and floor project development process would undermine investor confidence and require a shift in revenue models.

Recommendation: DESNZ to reject changes to long stop date access.

Question 20: Do you agree that a Director's Declaration should be made at the point of prequalification, declaring interests in the LDES Cap and Floor?

Yes.

Question 21: Please provide reasoning for your views.

Our members support the introduction of a Director's Declaration at prequalification to improve transparency around interactions between the Capacity Market and the LDES Cap and Floor scheme. Clear upfront disclosure is a proportionate and effective mechanism to ensure compliance with eligibility requirements and to avoid inadvertent overlap or misalignment between support mechanisms. It also places responsibility appropriately at the board level, ensuring that declarations are treated as a material governance matter rather than a purely administrative step. However, declarations should be tightly scoped to material information and aligned with existing definitions and processes to avoid unnecessary duplication or uncertainty.

Recommendation: DESNZ and NESO to work with the industry to confirm how the Director's Declaration can work in practice.

Question 22: Do you agree with proposals to require interim confirmation of a project's status following prequalification and potential changes in eligibility criteria aligned to that?

Yes, in principle.

Question 23: Please provide reasoning for your views.

Our members support interim confirmation of project status where there is a material change that affects eligibility or interaction with the LDES Cap and Floor scheme. Projects progressing through development, financing and regulatory processes may experience legitimate changes in status over time. Interim confirmations help ensure that Capacity Market participation continues to reflect the current reality of the project and maintains scheme integrity.

That said, our members have cautioned against overly frequent or open-ended confirmation requirements. Excessive procedural burden can undermine investability and distract from delivery.

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Question 49: Do you agree with the introduction of a new, higher price CapEx threshold? If not, please explain why.

ESN does not agree that the proposed price-related reforms, including a new, higher price CapEx threshold initially of £475/kW to access CM agreements over the existing CM price cap of £75/kW, will improve security of supply.

The reforms risk weakening the technology-neutral foundations of the Capacity Market. The CM has worked because it allows technologies to compete on equal terms (with de-rating factors), letting the market choose the most cost-effective solutions. Introducing a higher price tier for selected technologies moves away from this principle.

The CM is also just one element of the wider electricity system, and supporting this type of new-build generation through a higher price cap is likely to drive up costs elsewhere, including in the wholesale market and the Balancing Mechanism.

If the system requires capacity with specific duration or stress-event performance, this should be defined as a performance requirement rather than tied to particular technologies. Existing derating factors already reflect duration limits. Many flexible, low-carbon technologies can provide multi-hour dispatchable support, so limiting access to a higher cap risks distorting competition and excluding better-value options for consumers.

There is also no evidence that a higher price cap will improve security of supply, but a clear risk that it will increase consumer costs. Great Britain has never experienced a CM stress event, and NESO already takes expensive actions through the Balancing Mechanism and interconnector trades to avoid calling one. Adding further cost through the CM will not change this behaviour or deliver additional security. The consultation provides no analysis showing that projects capable of meeting the system need cannot be delivered at the current price cap. Without such evidence, raising the cap risks becoming an unnecessary subsidy that does not strengthen security of supply.

If the government is concerned about availability during stress events, a clearer system requirement and stronger delivery incentives would be more effective than technology-specific price caps. Setting out a performance or duration requirement, strengthening penalties, and allowing all capable technologies to compete equally would improve reliability at a lower cost. Improving the CM's performance framework, rather than raising price caps for selected technologies, is the more proportionate response.

The reforms also risk supporting high-carbon thermal plants without adequate safeguards. Technologies most likely to benefit include unabated fossil plants with significant emissions, yet no limits are proposed on running hours or emissions intensity, and the decarbonisation-readiness requirements fall short of what is needed to align with Clean Power 2030. Providing higher CM revenues without firm safeguards risks locking in high-carbon generation and weakening investment signals for low-carbon firm power. Any higher payments must be tied to enforceable emissions limits.

Strict environmental criteria are essential. Any plant entering a sub-group should be required to demonstrate clear alignment with net zero by meeting firm annual emissions limits on a tCO_2/MW basis. This would ensure that carbon-intensive technologies such as CCGTs and OCGTs either invest in decarbonisation or operate under tightly restricted running hours if they wish to access a higher price cap. Without such limits, the government risks supporting capacity that is incompatible with its net-zero commitments.

The latest Capacity Market registers show a sharp rise in units prequalifying for multi-year refurbishing agreements, reflecting DESNZ's lower capital expenditure threshold for 3-year terms. A significant share of these projects are CCGT refurbishments across more than a dozen sites – over 15 GW of connection capacity – that could deliver from 2029. Most have qualified for up to 3-year agreements, with a smaller group eligible for 15-year terms.

Because these projects meet DESNZ's proposed definition of 'enduring dispatchable' capacity, their scale raises important questions about the need for a multiple-price mechanism for new-build generation. If existing sites continue to secure multi-year agreements within the current price cap and provide reliable capacity into the 2030s, the rationale for a separate price structure is questionable.

Recommendation: Keep the CM technology-neutral so that all capable technologies can compete on equal terms.

Recommendation: Avoid creating a new higher CapEx threshold for a higher price cap, which distorts competition and risks sidelining cheaper technologies that could deliver the same service more efficiently.

Recommendation: The government should define system needs through clear performance requirements, such as the duration for which capacity must be maintained during stress periods and the required performance, building on the existing derating framework.

Recommendation: If introduced, the government should apply strict emissions and running-hour limits to any plant receiving higher Capacity Market payments to avoid unfairly supporting high-carbon generation.

Question 50: Do you agree with setting the new, higher price CapEx threshold initially at £475/kW? If not, please explain why and suggest what you think a more appropriate threshold might be.

No. See answer to Question 49.

Question 52: Do you agree with this proposed change as a means of providing further assurance that all New Build applications seeking higher prices under the MPCM constitute genuinely new and additional capacity?

One of our members has highlighted that the latest Capacity Market registers show an unusually high number of refurbishing projects – especially CCGT units – eligible for multi-year agreements, which could potentially secure more than 15 GW of capacity from 2029. This raises questions about the need for a multiple-price CM supporting new-build gas projects if existing sites can already provide enduring, dispatchable capacity within the current price cap.

Recommendation: DESNZ to reassess the need for new build capacity given the latest data on refurbished CCGT asset capacity.