Consultation response

ESN Response to DESNZ - Capacity Market: consultation on changes for Prequalification 2027

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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

The Electricity Storage Network (ESN) recognises the importance of maintaining confidence that capacity procured through the Capacity Market (CM) can deliver when required. We support the government's overarching objective of strengthening delivery assurance and ensuring value for consumers. However, feedback from our members highlights differing views on whether the proposed reforms represent the most effective and proportionate means of achieving this.

ESN has focused its response on the consultation questions most relevant to our members and where there was sufficient consensus to establish a collective industry position. While we welcome the government's efforts to strengthen delivery assurance, we would encourage DESNZ to prioritise a more holistic review of the Capacity Market.

As the electricity system evolves, it is important that the CM appropriately recognises and values the contribution of all forms of flexibility capable of delivering during System Stress Events. A more coordinated approach to reform would help ensure the mechanism remains technology-neutral, supports investment in low-carbon flexibility and delivers security of supply at the lowest reasonable cost to consumers.

We welcome DESNZ's efforts to improve the existing framework but would encourage further consideration of several key areas:

- **Strengthening the evidence base:** DESNZ should publish further evidence demonstrating that the proposed Satisfactory Performance Day (SPD) requirements will improve delivery assurance during genuine System Stress Events. Prescribed testing windows cannot fully replicate the complex market and system conditions in which stress events occur.
- **Ensuring proportionality and value for consumers**: More stringent testing requirements could introduce additional operational constraints and compliance risks, potentially increasing Capacity Market auction clearing prices and ultimately costs for consumers. The benefits of additional assurance should be considered alongside these risks and the existing penalty framework.

- **Recognising the distinct characteristics of battery storage:** Members have raised concerns about the disproportionate testing burden placed on storage through Extended Performance Tests (EPTs). We encourage DESNZ to retain flexibility around EPT timing and engage with industry on a wider review of these requirements.
- **Providing clarity and appropriate flexibility:** Further detail is needed on the proposed responsiveness requirements, particularly for non-BMU assets. The framework should also recognise planned network outages and restrictions outside the control of capacity providers, with proportionate opportunities for remedial testing.
- **Maintaining effective risk-management mechanisms:** As delivery assurance requirements and penalties become more stringent, participants must retain appropriate tools to manage legitimate delivery risks. We therefore encourage a holistic review of secondary trading arrangements, while preserving the ability of newly commissioned BESS assets to undertake legitimate one-year transfers.

We recognise that effective delivery assurance is essential to maintaining confidence in the CM. However, additional requirements should be supported by clear evidence that they will deliver meaningful improvements in security of supply without introducing unnecessary costs or disproportionate risks for participants.

We look forward to continued engagement with DESNZ and its delivery partners to develop an evidence-based and proportionate framework that supports investment in flexible capacity while protecting consumers.

Recommendation 1: *Publish the evidence underpinning SPD reform*
DESNZ should publish further analysis and evidence demonstrating that the proposed SPD reforms are necessary, proportionate and likely to improve security of supply, recognising that testing cannot fully replicate the complex conditions of a Capacity Market Stress Event.

Recommendation 2: *Assess the potential consumer cost implications*
DESNZ should undertake and publish an assessment of the potential impact of the proposed changes on Capacity Market participation, auction clearing prices and consumer costs, demonstrating that any additional security-of-supply benefits are proportionate to these costs.

Recommendation 3: *Clarify responsiveness requirements*
DESNZ and its delivery partners should provide detailed guidance on what constitutes a compliant response, how performance will be measured and verified, and how the requirements will apply to non-BMU assets.

Recommendation 4: *Consult on draft legal amendments*
DESNZ should return to its previous approach of consulting on draft amendments to the Capacity Market Rules and Regulations, allowing industry to scrutinise the proposed drafting and identify practical implementation issues before the changes are finalised.

Recommendation 5: *Retain flexibility in EPT timing*
DESNZ should retain existing flexibility around the timing of Extended Performance Tests, recognising their distinct purpose from SPDs and avoiding additional, disproportionate testing requirements for storage assets.

Recommendation 6: *Engage industry on wider EPT reform*
DESNZ should engage with industry on a wider review of EPT requirements, including their proportionality relative to other technologies and the potential for initial testing in the first Delivery Year, followed by retesting where material changes to capability occur.

Recommendation 7: *Recognise planned network outages in remedial testing*
DESNZ should extend summer remedial testing provisions to include planned network outages and network-imposed restrictions where these are outside the reasonable control of the CMU and can be independently evidenced.

Recommendation 8: *Preserve legitimate one-year UDSR secondary trades*
DESNZ should ensure that the proposed restrictions preserve the ability of newly commissioned BESS assets to accept legitimate one-year UDSR secondary trades ahead of their T-4 Capacity Agreements commencing, as outlined in the consultation.

Recommendation 9: *Undertake a holistic review of secondary trading*
DESNZ and its delivery partners should undertake a holistic review of secondary trading arrangements, building on CMAG's work, to ensure participants retain effective tools to manage delivery risks as penalties and assurance requirements become more stringent.

Previous responses: Regen and the Electricity Storage Network have responded to the following recent consultations/calls for input on the Capacity Market (CM). These provide background information on our wider thinking regarding the CM and the reform process.

- Electricity Storage Network response to Capacity Market winter consultation – January 2026
- 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

Responses to September 2026 consultation questions

Question 1a: Do you agree with the policy objective of making SPDs more analogous to System Stress Event conditions?

Neutral.

Question 1b: Please provide a rationale and evidence to support your response.

Summary

The Electricity Storage Network recognises the importance of maintaining confidence that capacity procured through the Capacity Market can deliver when required. As the electricity system becomes increasingly reliant on renewable generation and low-carbon flexible technologies, a robust and credible delivery assurance framework will remain essential to maintaining security of supply.

Feedback from our members indicates support for the principle of robust Capacity Market delivery assurance, but differing views on whether the proposed reforms provide the most effective and proportionate means of achieving it. In particular, members highlighted concerns around the binary consequences of testing failures, the interaction between testing and derating and the consistency of requirements across technologies. Members expressed concern that storage is subject to more stringent delivery assurance requirements than other technologies, creating a disproportionate and potentially inequitable testing regime.

We would welcome further engagement with DESNZ on a more holistic approach to delivery assurance that reflects actual capability, maintains appropriate incentives and avoids unnecessary costs to consumers.

Battery energy storage systems (BESS) are well placed to meet the proposed Satisfactory Performance Day (SPD) requirements. Our concern is not whether batteries can demonstrate performance during winter peak periods, but whether the proposed changes represent the most effective and proportionate means of improving delivery assurance.

We support the principle of strengthening delivery assurance but consider that additional requirements should be supported by evidence of their effectiveness and assessed against the costs and risks they introduce for participants.

A particular concern among members was the risk of terminating a long-term Capacity Agreement following failure to respond to a single randomised instruction. Some members suggested a financial penalty followed by a further opportunity to demonstrate responsiveness as a more proportionate alternative.

1b (i) Ensuring testing is representative of genuine system stress conditions

While aligning SPDs more closely with periods of elevated system demand is a reasonable objective, we would caution against assuming that a more demanding test necessarily provides a better indication of performance during a genuine System Stress Event (SSE).

System stress is determined by a range of factors, including generation availability, weather conditions, interconnector flows and demand. Although winter evening peaks may represent periods of heightened risk, SSEs are not necessarily confined to these periods. Equally, demonstrating performance during a prescribed testing window does not guarantee that capacity will be available during an actual stress event.

Some members do not believe that the addition of a responsiveness test makes the SPD regime more analogous to the conditions which CMUs would experience in a CM Stress Event (stress event). A Capacity Market Notice (CMN) rightly provides warning to those units that a stress event may shortly occur and, if so, they will be subject to their Adjusted Load Following Capacity Obligation. The best approximation for this occurrence is whether the CMU can perform at its derated capacity, as is required by the current Satisfactory Performance Day regime.

If DESNZ is minded to proceed with the proposals, the question they must share more insight into is whether the proposed testing windows provide a more reliable indication of delivery capability, rather than simply introducing more stringent requirements.

We would welcome further evidence from DESNZ and its delivery partners demonstrating the extent to which the proposed testing windows improve the assessment of delivery capability compared with existing arrangements, including how the proposed approach reflects the range of conditions under which an SSE could occur.

***Recommendation 1**: DESNZ should publish further analysis and evidence to substantiate the case for reforming the existing SPD regime. Greater transparency is needed to demonstrate to industry and consumers that the proposed changes are necessary, proportionate and will deliver meaningful improvements in security of supply, particularly given that the proposed testing arrangements cannot fully replicate the complex market and system conditions in which a Capacity Market Stress Event would occur.*

1b (ii) Balancing delivery assurance with consumer costs

Delivery assurance must also be considered alongside the costs and risks associated with CM participation.

More stringent testing requirements can introduce additional operational constraints, compliance costs and delivery risks, which participants may reflect in their auction bids. Where these effects increase clearing prices, the resulting costs are borne across all successful capacity, rather than solely those participants directly affected by the additional requirements.

This is an important consideration given the CM's uniform clearing-price mechanism, through which relatively modest increases in marginal bids can have a material impact on the overall cost of procuring capacity.

We would therefore encourage DESNZ to consider the proposed changes in the context of the existing delivery assurance and penalty framework. DESNZ should demonstrate that the additional security-of-supply benefits justify any increased costs or risks imposed on participants.

***Recommendation 2**: DESNZ should undertake and publish an assessment of the potential consumer cost implications of the proposed changes, including the impact of increased operational and regulatory risks on Capacity Market participation and auction clearing prices. This should demonstrate that any additional security-of-supply benefits are proportionate to the potential costs, taking account of the existing delivery assurance and penalty framework.*

1b (iii) Clarifying the proposed responsiveness requirements

Members have requested further clarity on the proposed responsiveness requirements, particularly how compliance would be demonstrated and assessed in practice.

In particular, it is unclear whether responding to an instruction would be sufficient to satisfy the requirement, or whether participants would need to demonstrate a corresponding metered output equal to or greater than their Capacity Obligation.

This distinction is important, particularly for battery storage, where the interpretation of responsiveness could have implications for operational planning, state-of-charge management and compliance risk.

Members have also raised questions about how the proposed arrangements would operate for non-Balancing Mechanism Unit (non-BMU) battery assets, including how instructions would be issued, acknowledged and verified.

We would welcome further detail from DESNZ and the relevant delivery partners on these practical arrangements, including the evidence required to demonstrate compliance, to ensure that participants can fully assess the implications of the proposals ahead of implementation.

***Recommendation 3**: DESNZ and its delivery partners should provide detailed guidance on the proposed responsiveness requirements, including what constitutes a compliant response and how performance will be measured and verified. There is also a need for more granular information on how the arrangements will apply to non-BMU assets.*

***Recommendation 4:** Members would also welcome a return to the Department's previous approach of consulting on draft amendments to the Capacity Market Rules and Regulations, allowing industry to scrutinise the proposed legal drafting and identify practical implementation issues before the changes are finalised.*

1b (iv) Distinguishing SPDs from Extended Performance Tests (EPT)

For battery storage, it is particularly important that delivery assurance requirements preserve sufficient operational flexibility to manage state of charge and respond efficiently to changing market and system conditions.

We would therefore caution against extending the proposed SPD timing restrictions to Extended Performance Tests (EPTs).

SPDs and EPTs serve different assurance purposes. SPDs provide evidence of a CMU's ability to deliver against its Capacity Obligation, while EPTs are intended to demonstrate the sustained delivery capability of storage assets over their required duration.

Aligning EPTs with the proposed SPD windows would introduce additional operational constraints without necessarily providing a corresponding improvement in delivery assurance. It could also create distortive incentives for battery operators to manage charging and dispatch around prescribed testing periods, rather than responding to prevailing system and market conditions.

We therefore advocate retaining greater flexibility in the timing of EPTs and ensuring that any future changes to the testing framework recognise the distinct objectives of SPDs and EPTs.

Recommendation 5: *DESNZ must retain the existing flexibility around the timing of Extended Performance Tests, recognising their distinct purpose from SPDs and avoiding additional, disproportionate testing requirements for storage assets.*

Furthermore, EPT requirements apply specifically to storage assets, placing an additional testing burden on these technologies that is not faced by other forms of capacity. Members have raised concerns that this creates a disproportionate delivery assurance regime for storage, particularly when considered alongside existing derating arrangements and the proposed strengthening of SPD requirements. We therefore consider that any further changes to EPTs should be assessed against the principle of equitable treatment across technologies.

More broadly, we consider there is merit in reviewing the role of EPTs within the CM, including whether an approach focused on demonstrating capability in the first Delivery Year, with subsequent retesting where material changes occur, could provide a more proportionate framework. We would welcome further engagement with DESNZ on the future development of EPT requirements and their interaction with the wider delivery assurance framework.

Recommendation 6*: DESNZ should engage with industry on a wider review of EPT requirements, including whether the current framework places a disproportionate burden on storage relative to other technologies. This should explore more proportionate approaches to demonstrating sustained delivery capability, including initial testing in the first Delivery Year and subsequent retesting where material changes to an asset's capability occur.*

Question 2a: Do you agree with the proposed timing, restrictions, and evidence thresholds associated with Summer testing?

Neutral

Question 2b: Please provide a rationale and evidence to support your response.

We recognise the government's intention to strengthen delivery assurance by requiring CMUs to demonstrate their capability earlier in the Delivery Year, and to limit reliance on summer remedial testing.

However, we question whether the proposed exceptions, particularly those relating to unplanned outages, sufficiently reflect the operational circumstances faced by battery storage and other capacity providers.

Unintended consequences for summer availability

Some members suggested that restricting testing to winter could encourage planned outages to be concentrated in summer, potentially increasing system risks during those months.

The proposed framework should recognise planned network outages as well as unplanned events.

As electricity networks undertake significant reinforcement and upgrade works to accommodate new connections, including those arising from connections reform, we anticipate an increasing requirement for planned network outages, commissioning activities and associated operational restrictions.

These works may be outside the control of individual CMUs but could nevertheless prevent them from completing SPDs or responding to instructions within the prescribed winter testing windows. Importantly, a planned network outage does not necessarily indicate any deficiency in the underlying capability of the asset.

Restricting remedial testing to unplanned network or asset outages risks penalising otherwise dependable capacity for circumstances beyond its control. It could also create unintended incentives for network operators and capacity providers to avoid scheduling essential works during winter periods, even where those works are necessary to facilitate new connections or improve network resilience.

We would therefore encourage DESNZ to extend the proposed remedial testing provisions to include planned network outages and network-imposed restrictions, where these are outside the reasonable control of the CMU and can be independently evidenced by the relevant network operator.

Recommendation 7: *DESNZ should extend the proposed summer remedial testing provisions to include planned network outages and network-imposed restrictions where these are outside*

the reasonable control of the CMU and can be independently evidenced. This would avoid penalising otherwise capable assets for essential network works, particularly as connections reform drives further network reinforcement and upgrade activity.

Distinguishing SPDs from Extended Performance Tests (EPT)

As stated in our response to Question 1b, for battery storage, it is particularly important that delivery assurance requirements preserve sufficient operational flexibility to manage state of charge and respond efficiently to changing market and system conditions.

We would therefore caution against extending the proposed SPD timing restrictions to Extended Performance Tests (EPTs).

SPDs and EPTs serve different assurance purposes. SPDs provide evidence of a CMU's ability to deliver against its Capacity Obligation, while EPTs are intended to demonstrate the sustained delivery capability of storage assets over their required duration.

Aligning EPTs with the proposed SPD windows would introduce additional operational constraints without necessarily providing a corresponding improvement in delivery assurance. It could also create distortive incentives for battery operators to manage charging and dispatch around prescribed testing periods, rather than responding to prevailing system and market conditions.

We therefore advocate retaining greater flexibility in the timing of EPTs and ensuring that any future changes to the testing framework recognise the distinct objectives of SPDs and EPTs.

Furthermore, EPT requirements apply specifically to storage assets, placing an additional testing burden on these technologies that is not faced by other forms of capacity. Members have raised concerns that this creates a disproportionate delivery assurance regime for storage, particularly when considered alongside existing derating arrangements and the proposed strengthening of SPD requirements. We therefore consider that any further changes to EPTs should be assessed against the principle of equitable treatment across technologies.

More broadly, we consider there is merit in reviewing the role of EPTs within the CM, including whether an approach focused on demonstrating capability in the first Delivery Year, with subsequent retesting where material changes occur, could provide a more proportionate framework. We would welcome further engagement with DESNZ on the future development of EPT requirements and their interaction with the wider delivery assurance framework.

See recommendations 5 and 6 above.

Question 5a: Do you agree that existing generating assets which have been recipient of a secondary trade from an UDSR CMU in the preceding Delivery Year should be forbidden from accepting further UDSR secondary trades prior to those UDSR CMUs having been issued a DSR Test Certificate?

Yes.

Question 5b: Please provide a rationale and evidence to support your response.

We recognise the rationale for the proposed restriction. BESS projects often commission ahead of their T-4 Capacity Market delivery obligations and can therefore provide valuable capacity by accepting secondary trades from UDSR CMUs, typically for a single Delivery Year.

We consider this a legitimate use of secondary trading and would not want the proposals to discourage it. However, where a new-build CMU has a further gap before its existing Capacity Agreement takes effect, we agree that it should generally seek to secure capacity through the relevant auction rather than rely on repeated UDSR secondary trades.

We would encourage DESNZ to ensure that the restriction preserves the ability of newly commissioned assets to accept legitimate one-year transfers – as outlined in the consultation.

Recommendation 8: *DESNZ should ensure that the proposed restrictions preserve the ability of newly commissioned BESS assets to accept legitimate one-year UDSR secondary trades ahead of their T-4 Capacity Agreements commencing, as outlined in the consultation.*

Question 6: Do you think the proposed changes are likely to have any unintended consequences? If so, please explain.

We recognise the rationale for the proposed restrictions but encourage DESNZ and its delivery partners to undertake a holistic review of secondary trading arrangements. While we welcome the work undertaken through CMAG, its focus on administrative barriers does not sufficiently address the wider role of secondary trading in managing delivery risk.

As penalties and delivery assurance requirements become more stringent, it is important that participants have effective tools to manage their Capacity Obligations. Secondary trading should be considered alongside these reforms, ensuring that stronger delivery requirements do not unnecessarily increase participation risk, discourage investment or ultimately increase costs to consumers.

Recommendation 9: *DESNZ and its delivery partners should undertake a holistic review of secondary trading arrangements to ensure participants retain effective tools to manage delivery risks as penalties and assurance requirements become more stringent.*

Question 13a: Do you agree that Extended Performance Tests for DSR CMUs should be conducted during a Satisfactory Performance Day within the Core Winter Period, in line with the current approach for Storage CMUs? (Yes/No/Neutral/No view)

No.

Question 13b: Please provide a rationale and evidence to support your response. (Free text)

ESN does not support requiring Extended Performance Tests (EPTs) to be conducted during a Satisfactory Performance Day (SPD) within the Core Winter Period.

SPDs and EPTs serve distinct purposes. SPDs demonstrate a CMU's ability to meet its Capacity Obligation, while EPTs assess its ability to sustain delivery over a prescribed duration. Requiring these tests to coincide would unnecessarily restrict operational flexibility without clear evidence that doing so would improve delivery assurance during genuine System Stress Events.

For battery storage, restricting EPTs to prescribed winter testing windows could create inefficient charging and dispatch behaviour, additional compliance risks and costs. These requirements would compound the existing testing burden on storage, which is already subject to duration-based derating.

See recommendations 5 and 6 above.