

ELEXION

CAPACITY MARKET RULES CHANGE PROPOSAL REPORT:

CP394: 2026 CONDITIONAL PREQUALIFICATION FOR ASSETS THAT HAVE APPLIED FOR A NEW OR MODIFIED CONNECTION DATE

This Change Proposal seeks to
implement a Conditional
Prequalification related to grid
connection for 2026
Prequalification only.

Public

Document owner
Elexon

Document author
Paul Farmer

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About this Document

Not sure where to start? We suggest reading the following sections:

- Have 5 mins? Read the executive summary
- Have 15 mins? Read the issue, solution and impact and costs sections
- Have 30 mins? Read all sections
- Have longer? Read all sections and the annexes and attachments

Executive Summary

A summary of CP394, including the Proposal Form, can be found on the [CMAG Website](#).

Issue

The National Energy System Operator (NESO) licence obliges it to carry out connection application windows at least once a year. The first window is intended to be within a year of [CMP434](#) (connections reform) being approved by Ofgem (i.e. before end of April 2026) and is therefore likely to open before the Capacity Market (CM) Prequalification (PQ) 2026 window. A CM PQ submission window is typically open early August to the end of September.

It is possible that some projects that wish to enter the CM would apply for a new or modified connection agreement but not be informed of the outcome before the CM PQ 2026 window closes. This proposal ensures that the timing of the CM PQ Application window opening does not prevent benefits of NESO's connection reforms package from being realised by permitting eligible assets awaiting connection dates, potentially beginning on or before October 2030, to prequalify for the 2027 CM Auction.

The Electricity Market Reform Delivery Body (EMR DB) do not propose implementing this as an enduring Rule change because the enduring connections process may require a different approach once established.

Finally, EMR DB propose an increase in the number of Working Days (from 16 to 22) before which the Applicant must submit their revised Grid Connection Agreement (GCA) to the Delivery Body, which would bring Rule 4.7C.1 in line with other CPQ requirements in Rule 4.7

Solution

EMR DB (DB) proposes extending the Conditional Prequalification (CPQ) solution that was put in place for PQ 2025 as per [CP388](#). This would allow Transmission Network connected New Build CMUs, that do not currently have a GCA that would allow them to be connected ahead of Delivery Year 2030/2031, but have requested an eligible connection date from NESO, to submit an Application during the PQ 2026 Submission Window.

Furthermore, DB propose adding a new Rule 3.7.3(aza)(iii) to enable Applicants that do possess a valid GCA (i.e. that would connect them ahead of Delivery Year 2030/2031), but they do not wish for their Application to be considered on the basis of the existing GCA, to also apply for CPQ. This additional Rule will ensure that Applicants who have applied to NESO for a modification and only want to receive a Capacity Agreement if that modification is granted, do not unintentionally Prequalify based on an existing GCA.

All Applicants will need to provide proof they have submitted evidence to NESO that they are eligible for connection by the start of the relevant Delivery Year, in line with the proposed increase of 16 to 22 Working Days.

Impacts and Costs

Impacts and Costs	
Organisation	Comment
CMSB	None anticipated
EMR DB	There will be a small number of system changes required to enable the proposed solution, as well as updates to guidance and communication. However, these will be similar to changes made previously, therefore, this is ultimately a low impact proposal.
Industry	Expected to be low as it is anticipated this will affect only a small number of Applicants. However, this Change Proposal introduces some useful flexibility during connection reform and enables Prequalification of assets that might otherwise have been prevented from Prequalifying. Also, from the implementation of CP388, no material process issues were raised.

Recommendation

At Meeting 39 on 16 December 2025, the CMAG made the following recommendations to Ofgem:

- a) That CP394 better facilitates Ofgem's Principal Objective.
- b) The CP394 better facilitates CM Rules Change Objectives;
 - i. Promoting investment in capacity to ensure security of electricity supply.
 - ii. Ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013.
- c) The draft legal text; and
- d) That CP394 should be **implemented**.

Issue

DB propose amending a previous Rule change ([CP388](#)) to capture a possible constraint between the connections reform process and the 2026 CM PQ application window. As well as adding an amendment learnt through implementation of the CPQ Rules for PQ25.

The ongoing Gate 2 to Whole Queue (G2tWQ) process will ensure projects progressed into the reformed queue meet readiness and strategic alignment based on Clean Power 2030 (CP30) permitted capacities. Once the queue has been reformed, NESO will know whether CP30 permitted capacity targets have been met. NESO will open the next connection application window for new projects that demonstrate readiness and can contribute to meeting any remaining CP30 permitted capacities, as well as for existing projects seeking a modified connection agreement (including for earlier connection dates). Given the volume of projects that were previously in the connections queue, before reforms began, EMR DB expect most of the CP30 permitted capacities to be nearly or fully met through the reformed queue. This means that the volume of projects applying through the connection application window will be relatively small and the process should not be as complex or lengthy as the current G2tWQ process.

NESO's licence obliges it to carry out connection application windows at least once a year. The first window is intended to be within a year of [CMP434](#) (connections reform) being approved by Ofgem (i.e. before end of April 2026) and is therefore likely to open before the PQ 2026 window. A CM PQ submission window is typically open early August to the end of September. It is possible that some projects that wish to enter the CM would apply for a new or modified connection agreement but not be informed of the outcome before the CM PQ26 window closes.

This proposal will enable the expected small number of projects seeking a new or modified (including earlier dates) connection agreement next year, to participate in the CM auction in 2027. This is a contingency measure, as was [CP388](#), and does not reflect NESO's position regarding any future connections application windows.

DB do not propose implementing this as an enduring Rule change because the enduring connections process may require a different approach, once established.

Solution

In this change proposal, DB propose to extend the CPQ option that was put in place for PQ25 for projects awaiting the outcome of advanced connection date requests. This was raised through [CP388](#), which introduced Rules 3.7.3(aza), 4.7C & 4.7C1, and amended 4.5.1(b)(xii).

To achieve an extension, DB propose amending the Rules 3.7.3(aza) and 4.7C.1 to allow Transmission Network connected New Build CMUs, that do not currently have a Grid Connection Agreement (GCA) that would allow them to be connected ahead of Delivery Year 2030/2031, but have requested an eligible connection date from NESO, to submit an Application during the PQ 2026 Submission Window.

Furthermore, DB propose adding a new Rule 3.7.3(aza)(iii) to enable Applicants that do possess a valid GCA (i.e. that would connect them ahead of Delivery Year 2030/2031), but they do not wish for their Application to be

considered on the basis of the existing GCA, to also apply for CPQ. This additional Rule will ensure that Applicants who have applied to NESO for a modification and only want to receive a Capacity Agreement if that modification is granted, do not unintentionally Prequalify based on an existing GCA.

Applicants will need to provide proof they have submitted evidence to NESO that they are eligible for connection by the start of the relevant Delivery Year. Subject to the DB's assessment of their full Application, relevant New Build CMUs will be conditionally Prequalified for the Auction. To become fully Prequalified, they will be required to provide their Connection Agreement no later than 22 Working Days before the first bidding round in the relevant T-4 auction. EMR DB propose increasing the numbers of day ahead of Auction that this documentation must be provided (from 16 to 22 days) in line with other pre-auction deadlines.

Legal Text for CP394

Amend paragraph 3.7.3(aza) as follows (amendments highlighted):

3.7.3(aza): For the Prequalification Window during ~~2025~~ 2026 only, an Applicant in respect of a T-4 Auction which is a New Build CMU that is or will be a Transmission CMU (a "relevant CMU") and ~~is unable~~ does not have a Grid Connection Agreement that would allow the Applicant to give the confirmation in Rule 3.7.3(a)(i), or does not intend to rely on that Grid Connection Agreement for Prequalification, may, instead of complying with Rule 3.7.3(a):

- (i) provide with their Application:
 - (aa) a copy of the current Grid Connection Agreement, if they have one, for each Generating Unit comprising the CMU or, if they do not have a Grid Connection Agreement, then a declaration confirming they do not have one;
 - (bb) a declaration that, in 2026, the Applicant has applied for an advanced connection date that would enable the Generating Units comprised in the relevant CMU to comply with the requirements under Rule 3.7.3(a)(i) and will, if that advanced connection date is granted, provide a copy of the revised Grid Connection Agreement on or before the date that is 16 22 Working Days prior to the commencement of the first Bidding Window for the T-4 Auction for the ~~2029/2030~~ 2030/2031 Delivery Year; and
 - (cc) evidence of its request to the National Energy System Operator for a connection date that would enable the Generating Units comprised in the relevant CMU to comply with the requirements under Rule 3.7.3(a)(i) and a copy of the receipt issued confirming submission of the connection application.
- (ii) on or before the date that is 16 22 Working Days prior to the commencement of the first Bidding Window for the T-4 Auction for ~~2029/2030~~ 2030/2031 Delivery Year, provide a copy of the revised Grid Connection Agreement with a connection date that would enable the Generating Units comprising the CMU to comply with requirements under Rule 3.7.3(a)(i).

Add paragraph 3.7.3(aza)(iii) as follows:

- (iii) provide with their Application a declaration that:
 - (a) confirms that, by complying with requirements under Rule 3.7.3(aza)(i)(aa)-(cc), their intention is to apply for conditional prequalification; and
 - (b) confirms whether, if the conditionality is not met but their existing GCA, if held, complies with Rule 3.7.3(a)(i), they intend for their Application to be considered for Prequalification on the basis of the existing GCA."

Amend paragraph 4.7C.1 as follows:

4.7C.1: An Applicant that has provided with its Application a declaration pursuant to Rule 3.7.3(aza)(i)(bb) must provide to the Delivery Body no later than ~~46~~ 22 Working Days prior to the commencement of the first Bidding Window for the T-4 Auction for the ~~2029/2030~~ 2030/2031 Delivery Year:

- (a) the revised Grid Connection Agreement for each Generating Unit comprised in the CMU evidencing the capacity requirements in 3.7.3(a)(i); or
- (b) where the applicant is unable to provide a signed copy of the revised Grid Connection Agreement, the unsigned revised Grid Connection Agreement for each Generating Unit comprised in the CMU evidencing the capacity requirements in 3.7.3(a)(i).

CMAG Development/Discussions

CMAG discussed CP394 at:

- [Meeting 38](#) (18 November 2025)
- [Meeting 39](#) (16 December 2025)

A summary of discussions is noted below.

At CMAG 38, a member raised a concern regarding the timing of Gate 2 offers for distribution connected generation, noting that these were expected to fall in Q2 2026, after the auction and highlighting the potential risk that Applicants could participate in the Auction and secure Agreements, which might subsequently prove undeliverable if their connection offers were later withdrawn. The member asked whether any consideration was being given to this issue.

DB confirmed that the matter was actively being considered, noting that current work was primarily focused on transmission connected projects due to differing evidentiary requirements for Prequalification. However, DB acknowledged that similar risks could arise for distribution connected projects and agreed that further detail on the specific concerns raised would be helpful and confirming DB intended to bring the issue back for a future discussion once further analysis had been completed.

DB also clarified that two separate issues were at play. Noting that the existing challenge relating to Applicants holding Distribution Connection Agreements with connection dates extending out to 2029, where subsequent changes could affect the viability of awarded agreements. Separately, the emerging impacts of the ongoing queue reform process, under which Applicants' existing connection positions could be altered. For example, because of re-prioritisation or technology mix considerations (such as large volumes of batteries). DB was assessing both strands and recognise the concern, given the potential implications for certainty and deliverability.

At CMAG 39, CMAG Secretariat recapped the issue and went through the proposed solution and redlining. A member asked why this change is not being made permanent as there could be connections windows every year due to connection reform. DB confirmed that they have considered this and are planning to do work with NESO and the connections team to understand interactions of timelines between connection windows and the CM and CFD schemes, acknowledging that it is not ideal to be in this situation each year and DB are committed to making this less painful going forward. If it does transpire that they can't make the different timelines line up, they will look at making this change permanent. DB noted that it has become clear how much connection reform interacts with the schemes, therefore they are keen to try and align the timelines on a permanent basis.

Another member asked if there are any downsides to this proposal, perhaps uncertainty. DB noted that last year's CP388 had uncertainty if Capacity Providers didn't get their connection date time and what that would mean. For Prequalification 2026, DB are expecting a much smaller number of projects that this would apply too, due to how the queue is being reformed, as per the slide outlining the issue. DB expect to be able to ensure changes in connection dates or offers, are done in time for the CM. DB also noted that they are not expecting any unintended consequences, but it is hard to design protections against any kind of delay.

CMAG Secretariat went through the standard questions and noted that DB had sent an Impact Assessment through. DB confirmed that there will have to be some small system changes to what was put in place last year, because this proposal is slightly different. They want to give the Capacity Provider the opportunity to explain if they did have a valid Grid Connection Agreement i.e. if they had applied with the right dates but have also requested an

advancement and will want to use that. DB confirmed that this will be a small change, so the proposal has been scoped as low impact on DB.

CMAG Secretariat queried if there would be any impacts on CM Participants. DB confirmed that during the implementation of CP388, they didn't have any projects struggling to upload the right screenshot or make the right declarations. Only the point that there was no way for Capacity Providers to clarify the basis they were applying to pre-qualify, which is being addressed in the proposed solution. In terms of providing the right information, no one raised that it was too onerous or they were unable to figure out what was required. DB also highlighted that guidance will be re-issued to explain how the process should work.

The CMAG Facilitator summarised that this change would give some useful flexibility to a small number of Applicants. Also noting that the aim is to get the final report over to Ofgem in early January, in time for the next Statutory Consultation.

The Secretariat asked CMAG members to vote on the recommendation. CMAG unanimously voted to recommend the proposal. The CMAG recommends to Ofgem:

- a) That the solution better facilitates Ofgem's Principal Objective;
- b) That the solution better facilitates the CM Rules Change Objectives of:
 - i. Promoting investment in capacity to ensure security of electricity supply.
 - ii. Ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013.
- c) The draft legal text; and
- d) That CP394 should be implemented.

Impacts and Benefits

Impact Summary			
Organisation	Item	High/Medium/Low	Comment
CMSB		No Impact	
EMR DB		Low	EMR DB - There will be a small number of system changes required to enable the proposal, as well as updates to guidance and communication. However, these will be similar to changes made previously.
Industry		Low	No material impacts reported to EMR DB from the implementation of CP388. This change should give some useful flexibility to a small number of Applicants.

Rules

- i. 3.7.3(aza).
- ii. 3.7.3(aza)(iii) (**new Rule**)
- iii. 4.7C.1.

Costs

Costs	
Organisation	Comment
LCCC/ESC	None anticipated
EMR Delivery Body	Low, similar changes made previously.
Industry	None anticipated

Views against CM Rules Change Objectives and Ofgem's Principal Objective

Does CP394 better facilitate the CM Rules Change Objectives and Ofgem's Principal Objective		
Objective	Proposer's View	CMAG Views
Ofgem's Principal Objective	Positive - it helps protect consumers from additional costs from the CM by allowing as many projects as possible to participate in the CM Auction 2027.	Agreed
Promoting investment in capacity to ensure security of electricity supply	Positive (as above)	Agreed
Facilitating the efficient operation and administration of the capacity market;	Neutral – low impact for EMR DB	Agreed
Ensuring the compatibility of capacity market rules with other subordinate legislation under Part 2 of the Act.	Positive - it will ensure the compatibility of the CM Rules with Connection Reform, which is aiming to achieve CP2030.	Agreed

Recommendations

At Meeting 39 on 16 December 2025, the CMAG made the following recommendations to Ofgem:

- a) That CP394 better facilitates Ofgem's Principal Objective;
- b) The CP394 better facilitates CM Rules Change Objectives;
 - i. Promoting investment in capacity to ensure security of electricity supply.
 - ii. Ensuring the compatibility of the Capacity Market Rules with other subordinate legislation under Part 2 of the Energy Act 2013.
- c) The draft legal text; and
- d) That CP394 should be **implemented**.

Appendix 1 – Summary of Issue and Government Policy Questions for CP394

Issue and Government Policy Questions	
Question	Comment
Is this a valid issue?	The CMAG agreed this was a valid issue.
Is the CM the right place to address the issue?	The CMAG agreed the CM was the right place to address the issue.
<p>Is the solution to this CP going to be counter to the policy objectives of the CM? What is the impact on:</p> <ul style="list-style-type: none"> • Security of Supply • Cost (including cost to consumers) • Unintended consequences – if there are any, what is the impact? 	None identified at CMAG.
Are there any consequential impacts on the Regulations?	The CMAG said that there would not be any consequential impacts on the Regulations.
Does this explicitly affect any functions granted to the Secretary of State?	The CMAG said this would not affect any functions granted to the Secretary of State.
Is there an impact on subsidy control?	The CMAG said there would not be an impact on subsidy control.

Appendix 2 – Summary of Standard Change Proposal Questions for CP394

Standard Change Proposal Questions	
Question	Comment
Are there any related changes to the CM Rules in the pipeline?	No
Does the CP further Ofgem's Principal Objective?	Yes, it helps protect consumers from additional costs from the CM, by allowing as many projects as possible to participate in the CM Auction 2027.
Does the CP further the CM Rules Change Objectives?	Yes, it will ensure the compatibility of the CM Rules with other subordinate legislation. Plus, it should help secure as much as investment as possible in the CM.
Does the CP impact on the Regulations?	This CP does not affect the Regulations.
Are there any impacts on any other central industry frameworks or obligations?	There are no impacts on other central industry frameworks or obligations.
Are there any impacts on consumers, and if so, what are the impacts?	No. However, without making these changes the cost of the CM could increase, which will be passed onto consumers.
Does CMAG agree with the proposed solution? Are there any suitable alternative solutions to address the defect?	Yes, the CMAG unanimously agreed with the proposed solution; alternatives were not developed.
What are the expected impacts on: <ul style="list-style-type: none"> CM Participants? Delivery Partners? 	EMR DB - There will be a small number of system changes required to enable the proposal, as well as updates to guidance and communication. However, these will be similar to changes made previously. Ultimately low impact.
What are the expected implementation/enduring costs for: <ul style="list-style-type: none"> CM Participants? Delivery Partners? 	CM Participants - Expected to be low, as anticipated change for a small number of Applicants. From previous implementation of CP388, no material process issues raised.
What are the expected timescales for implementation?	It is expected these changes will be made before Prequalification 2026/27.
Does the proposed draft legal text deliver the intention of the solution?	Yes
Is there any alternative legal text that would deliver the intention of the solution?	No alternative legal text was developed.
What is CMAG's preferred legal text, to deliver the intention of the solution?	As proposed.
Does the CMAG recommend to Ofgem that the change be made?	Yes, the CMAG agreed to recommend the changes to Ofgem to be made.