


<h2 style="text-align: center;">Proposal for a Capacity Market Rule Change</h2>	 <p style="text-align: center;">Making a positive difference for energy consumers</p> <p><b>Reference number:</b></p>
<p><b>Title</b> <i>(a short title which summarises your CM rule change request)</i>          Extension to the 16-month Financial Completion Milestone for New Build Projects with a scheduled first Delivery Year starting on 1 October 2028 or 1 October 2029</p>	
<p><b>Name of organisation(s)/individual(s):</b>          Department of Energy Security and Net Zero</p>	<p><b>Contact e-mail address:</b>          Capacity.Market@energysecurity.gov.uk</p>
<p><b>Contact Telephone Number:</b>          +447858688019</p>	<p><b>Date submitted:</b>          07/01/2026</p>
<p><b>Proposal abstract</b> <i>(a short summary, suitable for published description on our website)</i></p> <p>Extend the Financial Commitment Milestone deadline from 16 to 28 months for projects awarded in the 2025 and 2026 T-4 Capacity Market auctions that have their original grid connection date moved. This temporary change supports projects facing connection date uncertainty, while maintaining early delivery incentives and security of supply objectives.</p>	
<p><b>Description of the issue that the change proposal seeks to address:</b></p> <p>Every prospective generating Capacity Market Unit (CMU) must complete a Financial Commitment Milestone (FCM). This milestone must be met within the 11-month period of securing a Capacity Agreement or the Capacity Provider (CP) must supply additional credit cover. In doing so, a CP has until 16 months after Auction Results Day to complete the FCM. This is designed to maximise delivery assurances, ensure all CPs are legitimate and are likely to meet the requirements to commission their projects in time for the start of the Obligation Period.</p> <p>Government is aware that there is uncertainty for some New Build CMUs who have received a Gate 2 Phase 1 notification as part of the reformed connections queue but will not receive their connection offer with a connection date until Q2 of 2026, after the 2026 Capacity Market T-4 Auction in March 2026. Government is also aware that CPs with a CM Agreement for the 2028/29 Delivery Year will have received Protected Status which guaranteed “ready projects” with a Gate 2 Phase 1 notification but not a guaranteed connection date for the relevant Delivery Year from their Transmission Owner (TO) or Distribution Network Operator (DNO). These projects are due to meet their initial 11-month window to complete their FCM in February 2026, with a 16-Month deadline in July 2026.</p> <p>Government acknowledges that some projects may face challenges in meeting their FCM if they do not have a guaranteed connection date set out in a revised connection offer, even if the connection agreement date must be before the end of</p>	

2030. This uncertainty could be detrimental for CPs, and for the scheme's objective in securing electricity security of supply for Great Britain.

A Rules change is proposed to provide additional assurances to Agreements won for New Build Generating CMUs for the 2028/29 Delivery Year and for New Build Generating CMU Applicants who are Prequalified to participate in the T-4 Auction for the 2029/2030 Delivery Year. This will apply only if the CMUs original connection date was moved backwards as a result of the queue reformation.

**Proposed solution to the issue:**

Government has no intention of altering the initial 11-month period, after which additional credit cover must be posted if the FCM is not met by this point. Government notes that this initial milestone incentivises early completion of the FCM and signals that a project is legitimate and on course for commissioning on time.

However, the government is aware of the impact of the current Connections Reform timeframes. Government believes that, where a New Build Generating CMU has posted additional credit cover to demonstrate confidence in their project, there needs to be additional support to ensure that the connections uncertainty does not result in an otherwise viable project being terminated for missing the FCM.

This proposal will provide New Build CMUs that won CM Agreements in the T-4 auction held in 2025 or win a CM Agreements in the T-4 auction held in 2026, an additional 12 months to complete their FCM. This will make the 16-month deadline to meet the FCM a 28-month deadline instead and would give a project due to start their agreement on 1 October 2028, until July 2027 to meet their FCM. Projects with a start date of 1 October 2029 would therefore have until July 2028 to meet their FCM. This applies only where the CMUs original connection date has been moved following the queue reformation process.

This proposal will only apply to New Build CMUs that have been issued with a Gate 2 Phase 1 notification from the System Operator (NESO), TO, or their DNO. We expect Applicants that receive a Gate 2 Phase 2 or Gate 1 notification to withdraw from the 2029/30 Auction by not confirming entry, as they will not receive a connection date that will allow them to meet their first Delivery Year. Where they do not withdraw themselves, the Delivery Body will be removing them as part of Rule 4.4.3A checks, as set out in their guidance.

This proposal ensures that any terminations can still be captured for the respective T-1 Auctions and maintains the initial incentives to deliver early so CPs can avoid posting and maintaining additional credit cover.

This proposal will be time limited for Capacity Agreements won in T-4 Auctions held in 2025 and in 2026. Projects with a Capacity Agreement starting in October 2030 or later will have greater certainty of their connection offer and therefore do not need the same mitigation. The Government does not believe flexibility for other

milestones is required, as there is already a long-stop date period for New Build CMUs which enables flexibility if the Substantial Completion Milestone (SCM) cannot be met in time. Additionally, Rule 6.7.7 allows for an extension in the long-stop date if there is an issue solely due to a failure of NESO, the TO or the DNO, which leads to a delay in a connection point being provided.

List of alternative proposals already submitted which this proposal relates to (if any):

N/A

If you know the specific change to the Capacity Market (CM) Rules you wish to make, please select the type of change below and propose specific revised text, indicating the provision number from the CM Rules and highlighting the change (if left blank, the Capacity Market Advisory Group (CMAG)/Ofgem may suggest revised text to achieve the proposed solution above):

Amendment       Addition       Revocation       Substitution

Government proposes an amended Rule 6.6.1:

“A Capacity Provider of a Prospective CMU will be considered to have met its Financial Commitment Milestone obligation if, by no later than 16 months, **save for conditions provided under 6.6.1A**, after the Auction Results Day for the Capacity Auction in respect of which the Capacity Agreement was awarded (or, in the case of a T-1 Agreement, 3 months), the Delivery Body has acknowledged receipt of:”

Government proposes a new Rule 6.6.1A:

**6.6.1A: For purpose of Rule 6.6.1:**

**(a) The conditions are that:**

**(i) Where a Prospective CMU’s first scheduled Delivery Year for the Capacity Agreement commences on 1 October 2028 or 1 October 2029,**  
**(ii) the CMU is a New Build Generating CMU,**  
**(iii) the Capacity Agreement was acquired in a T-4 Capacity Auction,**  
**(iv) the CMU has, in respect of it, received a “Gate 2 Phase 1” notification from the System Operator, Transmission Network Operator, or their Distribution Network Operator; and**

**(v) the CMU has been issued with an updated Grid Connection Agreement with a commencement date after the start of the first scheduled Delivery Year.**

**(b) Where a CMU satisfies all of the conditions in 6.6.1A(a), A Capacity Provider of a Prospective CMU will be considered to have met the Financial Commitment Milestone if, by no later than 28 months, after Auction Results for the Capacity Auction in respect of which the Capacity Agreement was awarded, the Delivery Body has acknowledged receipt of the requirements detailed in Rule 6.6.1(a) and 6.6.1(b).**

Analysis and evidence for the impact of the proposed change on industry and/or consumers, highlighting how the proposal meets the Ofgem/Capacity Market objectives set out in Regulation 78 of The Electricity Capacity Regulations 2014, any risks to consider and any implications for industry codes:

Government is aware of around 1.7 GW of de-rated Capacity (as of December 2025) that is a New Build Generating CMU that has yet to complete its FCM. This capacity may be at risk of failing its FCM due to uncertainty associated with getting a firm connection date. It is unclear how much capacity will be affected from the upcoming T-4 auction to be held in March 2026.

The proposed change should not have a material impact on the delivery of these projects as the CP must still meet the 11-month deadline or post additional credit cover to assure their project.

CPs that fail their FCM will have their Capacity Agreement terminated. This will result in a TF4-level fee (currently £15,000 per MW). It will also result in the CMU not being allowed to be entered as a New Build CMU for two further years under Rule 3.3.3(f).

This proposal takes regard of the Capacity Market Objectives to promote investment in capacity by reducing uncertainties because CMUs do not know their exact connection date. This proposal does not unduly reduce the efficiency of the administration of the scheme, and it is fully compatible with the existing Capacity Market Rules.

According to NESO's current Connections Reform timeline, Final customer offers regarding applications up to and including 2030 will be released no later than the end of Q2 2026. This is likely to fall both after the initial 11-month period for FCMs to be completed in February 2026 and also after the upcoming T-4 auction to be held in March 2026. Government remains confident that for auctions held in 2027 or later, there will be sufficient certainty on the connection date of any New Build CMU Applicant that these provisions will no longer be required.

**Urgency**

Select this box if you would like this proposal to be treated as “urgent” (see 1.14 of “The Change Process for the Capacity Market Rules – Guidance” (2022) for details on the requirements of an urgent proposal)?

If selected, please include a justification, including any dates by which the CM Rule Change needs to be made and the consequences of not acting in time (*Note that urgent proposals may be deprioritised or rejected if the Rule Change suggested cannot be implemented before the date(/s) set out in this section*)

The initial 11-month period for projects with an Obligation Period beginning in October 2028 will end in February 2026. This is the point where a CP must commit additional credit cover to access the full 16-month window to complete the FCM. CMUs may choose to not post this credit cover and accept a lower Termination Fee if they do not have assurances that they will be given additional flexibility to manage any connection date up to and including 2030.

Similarly, New Build CMUs may be more likely to not confirm their entry into the T-4 Auctions to be held in 2026 if there is still uncertainty about their exact connection date and this cannot be mitigated. Whilst mitigations exist and are well established for the SCM, these mitigations are not in place for the FCM. Whilst government maintains that, in general, additional mitigations are not required for the FCM, during the period where exact connection dates are unknown, there should be some increased flexibility that is targeted solely for these affected CMUs.

This change will only be temporary, covering Capacity Agreements won in the 2028/29 T-4 Auction and the 2029/30 T-4 Auction only.

**Confidentiality**

We want to promote transparency in the Capacity Market Rule Change process. Submitting proposals directly to the Capacity Market Advisory Group (CMAG) supports transparency whilst ensuring that proposals benefit from the input of a panel of impartial capacity market experts whose role it is to support the development, scrutiny, and prioritisation of proposals to improve CM Rules.

Proposals submitted directly to Ofgem may be shared with CMAG or published on our website as part of a public consultation before any rule change is enacted, provided the information shared has not been marked as confidential.

To submit your proposal directly to CMAG, e-mail this document to [cmag@elexon.co.uk](mailto:cmag@elexon.co.uk)

If you wish to submit confidential information to Ofgem as part of your proposal, there are two routes to do this:

1. Submit this document directly to CMAG ([cmag@elexon.co.uk](mailto:cmag@elexon.co.uk)) excluding the confidential information, then submit a copy of this document plus an additional file containing the confidential information (marked as confidential) to [emr\\_cmrules@ofgem.gov.uk](mailto:emr_cmrules@ofgem.gov.uk)
2. Submit this document plus an additional separate file containing the confidential information (marked as confidential) directly to Ofgem at [emr\\_cmrules@ofgem.gov.uk](mailto:emr_cmrules@ofgem.gov.uk)

Nothing marked confidential will be shared outside of Ofgem without the express permission of the proposer.