STATUTORY INSTRUMENTS

2025 No. 917

ELECTRICITY

The Electricity Capacity (Amendment) (No. 2) Regulations 2025

Made - - - -	*22nd July 2025*
Coming into force - -	*23rd July 2025*

The Secretary of State makes these Regulations in exercise of the powers conferred by sections 27(1) and (5), 28(1), (4)(e), (j) and (k), 31, 32, 36(1), (3) and (4)(d), and 40(1) of the Energy Act 2013(**a**) ("the Act").

The Secretary of State has, before making these Regulations—

(a) consulted the persons listed in section 40(2)(a) and (b) of the Act and such other persons as the Secretary of State considered it appropriate to consult, and

(b) in accordance with section 5(1)(d) of the Act had regard to the matters in section 5(2) of the Act.

In accordance with section 40(5) of the Act, a draft of this instrument was laid before Parliament and approved by a resolution of each House of Parliament.

PART 1

Introduction

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Electricity Capacity (Amendment) (No. 2) Regulations 2025.

(2) These Regulations come into force on the day after the day on which they are made.

(3) These Regulations extend to England and Wales and Scotland.

(**a**) 2013 c. 32.

PART 2

Amendments

Amendment of the Electricity Capacity Regulations 2014

2. The Electricity Capacity Regulations 2014(**a**) are amended in accordance with regulations 3 to 10.

Amendments to regulation 2 (interpretation)

3. In regulation 2(1), after the definition of "capacity year", insert—

""CCS CFD" has the meaning given in regulation 34A(4);

"CCS CFD transfer notice" has the meaning given in regulation 34A(4);

"CCS CFD transfer refusal notice" has the meaning given in the Rules;".

Amendments to regulation 16 (excluded capacity: low carbon support scheme CMUs)

4. In regulation 16—

(a) in paragraph (2)(a)—

(i) in paragraph (i), at the beginning, insert "further to a direction given by the Secretary of State";

(ii) in paragraph (ii)—

(aa) after "under", insert "section 14(1) of the Act (CFD notification: offer to contract on standard terms) and"; and

(bb) after "(offer to contract)", insert ",";

(b) in paragraph (2A), for "paragraph (2)", substitute "paragraph (2)(a)(ii)".

Amendment to regulation 34 (termination of capacity agreements: CFDs and ROO conversions)

5. In regulation 34(3), in the definition of "CFD transfer notice" in paragraph (b), after "apply for a CFD", insert "(other than a CCS CFD)".

New regulation 34A

6. After regulation 34, insert—

"Termination of capacity agreements: CCS CFDs

34A.—(1) This regulation applies where a capacity provider gives the Delivery Body, in accordance with capacity market rules, a CCS CFD transfer notice in relation to a CMU ("CMU i") to which a capacity agreement ("A") applies.

(2) The Delivery Body must give a notice specifying the CCS CFD related termination date in respect of A, to—

(a) the capacity provider in respect of A;

(b) the Secretary of State;

(**a**) S.I. 2014/2043; relevant amending instruments are S.I. 2021/901, S.I. 2023/860, and S.I. 2025/183.

(c) the Authority;

(d) the Settlement Body; and

(e) the CFD counterparty.

(3) A is terminated on the CCS CFD related termination date specified in the notice given by the Delivery Body under paragraph (2) unless—

(a) A is terminated in accordance with these Regulations or on a ground specified in the capacity market rules prior to the CCS CFD related termination date; or

(b) the duration of A is reduced in accordance with capacity market rules such that it expires before the CCS CFD related termination date.

(4) In this regulation—

"CCS CFD" means a CFD in connection with which an eligible generator is to alter an existing generating station so that it becomes a generating station connected to a complete CCS system;

"CCS CFD evidence" has the meaning given in the Rules;

"CCS CFD payment start date" means the date on which a person becomes eligible under a CCS CFD to receive a generation counterparty payment;

"CCS CFD related termination date" means the date which is:

(a) the last day of the capacity year which the capacity provider in respect of CMU i specifies in a CCS CFD transfer notice as the final delivery year of A; or

(b) six working days after the CCS CFD transfer notice window during which a CCS CFD transfer notice is given, where the capacity provider in respect of CMU i states in a CCS CFD transfer notice that it intends for A to end before its first delivery year;

"CCS CFD transfer notice" means a notice from a capacity provider which—

(a) identifies a capacity agreement which the capacity provider holds;

(b) describes the CMU to which that capacity agreement relates;

(c) states that the capacity provider proposes to enter or has entered into a CCS CFD in respect of the CMU;

(d) specifies—

(i) the capacity year which the capacity provider intends to be the final delivery year of the capacity agreement; or

(ii) that the capacity provider intends for the capacity agreement to end before its first delivery year;

(e) requests that the Delivery Body terminates the capacity agreement on a nominated CCS CFD related termination date;

(f) is accompanied by CCS CFD evidence; and

(g) includes a statement verifying the truth of the statements contained in and accompanying the notice, which is signed by—

(i) where the capacity provider is a company with more than one director, two directors;

(ii) where the capacity provider is a company with a sole director, the sole director;

(iii) where the capacity provider is not a company, by two persons duly authorised by the capacity provider;

"CCS CFD transfer notice window" has the meaning given in the Rules;

"complete CCS system" has the meaning given in regulation 2(1) of the Contracts for Difference (Definition of Eligible Generator) Regulations 2014(**a**);

"generating station" has the meaning given in regulation 2(1) of the Contracts for Difference (Definition of Eligible Generator) Regulations 2014;

"generation counterparty payment" has the meaning given in regulation 4(2) of the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014(**b**);

"nominated CCS CFD related termination date" means, in respect of a CMU described in a CCS CFD transfer notice, a date which is—

(a) before the date which the capacity provider expects to be the CCS CFD payment start date under a CCS CFD which the capacity provider proposes to enter or has entered into in respect of the CMU; and

(b) either—

(i) the last day of the capacity year which the capacity provider in respect of the CMU intends to be the final delivery year of the capacity agreement which applies to the CMU; or

(ii) six working days after the CCS CFD transfer notice window during which the CCS CFD transfer notice is given by the capacity provider, where the capacity provider in respect of the CMU intends for the capacity agreement to end before its first delivery year.".

Amendment to regulation 60 (credit obligation period)

7. In regulation 60(1), after sub-paragraph (g), insert—

"(ga) where CMU i is a generating CMU, the Delivery Body has terminated the capacity agreement in respect of CMU i—

(i) under regulation 34(1); or

(ii) under regulation 34A(3);".

Amendments to regulation 68 (delivery body reviewable decisions)

8. In regulation 68—

(a) in the table in paragraph (2), after the final row insert—

"The issue of a CCS CFD transfer refusal notice.	The capacity provider who made a request for termination and to whom the notice has been issued.";

(b) in paragraph (3), after "(2),", insert ""CCS CFD transfer refusal notice",".

Amendments to regulation 69 (requesting reconsideration by the Delivery Body)

9. In regulation 69—

(**a**) S.I. 2014/2010; relevant amending instruments are S.I. 2016/784 and S.I. 2022/691.
(**b**) S.I. 2014/2014; a relevant amending instrument is S.I. 2024/1159.

(a) in paragraph (5), in the words before sub-paragraph (a), after "notice of intention to terminate", insert "or a decision to issue a CCS CFD transfer refusal notice";

(b) in paragraph (5A)—

(i) in the words before sub-paragraph (a), after "a prequalification decision" insert "or a decision to issue a CCS CFD transfer refusal notice";

(ii) in sub-paragraph (a), after "prequalification", insert "or a CCS CFD transfer notice";

(c) in paragraph (7), in the definition of "non-material error or omission", in the words before sub-paragraph (a), after "prequalification", insert "or a CCS CFD transfer notice".

Amendment to regulation 70 (appeals to the Authority)

10. In regulation 70(4)(c), after "relating to a termination notice", insert ", a CCS CFD transfer refusal notice".

PART 3

Revocations

Miscellaneous revocations

11. The Schedule makes miscellaneous revocations to the Electricity Capacity Regulations 2014, the Electricity Capacity (No. 1) Regulations 2019(**a**), and the Electricity Capacity (Amendment etc.) (Coronavirus) Regulations 2020(**b**).

Michael Shanks
Parliamentary Under Secretary of State
Department for Energy Security and Net Zero

22nd July 2025

(**a**) S.I. 2019/862; amended by S.I. 2019/1139. Chapter 2 of Part 3, Chapter 2 of Part 4, and Part 5 of that instrument make modifications to the application of the Electricity Capacity Regulations 2014 (S.I. 2014/2043), and Part 6 of that instrument makes modifications to the application of the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (S.I. 2014/3354).

(**b**) S.I. 2020/697; regulation 4 and Schedule 2 to that instrument make modifications to the application of the Electricity Capacity Regulations 2014 (S.I. 2014/2043).

SCHEDULE

Regulation 11

Miscellaneous revocations

Revocation of provisions in the Electricity Capacity Regulations 2014

1. The Electricity Capacity Regulations 2014 are amended as follows.

2. In regulation 1(3) (citation and commencement), omit ", other than a DSR transitional auction,".

3. In regulation 2(1) (interpretation)—

(a) in the definition of "auction window", omit ", subject to regulation 87(1)(a),";

(b) omit the definition of "DSR transitional auction";

(c) in the definition of "minimum capacity threshold", omit ", subject to regulation 29A(2)(a)";

(d) omit the definition of "supplementary auction";

(e) in the definition of "T-1 auction", omit ", other than a DSR transitional auction,";

(f) in the definition of "T-4 auction", omit ", subject to regulation 87(1) and 87C(2)(a),";

(g) omit the definition of "third T-4 auction".

4. In regulation 6(2)(a) (reliability standard), in paragraph (i), omit "(other than a DSR transitional auction)".

5. In regulation 7 (annual electricity capacity report), omit paragraphs (6) to (9).

6. In regulation 11(1) (meaning of auction parameters)—

(a) in the words before sub-paragraph (a), omit "or 29(8)";

(b) omit sub-paragraph (h).

7. In regulation 12(5)(a) (determination of auction parameters by the Secretary of State), omit "(including any annex prepared under regulation 7(6) or (8))".

8. In regulation 14 (eligibility to bid in capacity auctions)—

(a) in paragraph (1), for "Subject to paragraph (3), an", substitute "An";

(b) omit paragraph (3).

9. Omit regulations 29 (DSR transitional auctions) and 29A (second DSR transitional auction).

10. In regulation 30(4) (capacity agreements)—

(a) at the end of sub-paragraph (a), omit "or";

(b) omit sub-paragraph (b).

11. Omit regulation 44 (settlement costs levy: the first levy period).

12. In regulation 45 (general)—

(a) in the definition of "invoiced amount", omit ", 44";

(b) in the definition of "payer", omit ", 44".

13. In regulation 59 (requirement to provide applicant credit cover)—

(a) in paragraph (2)—

(i) for "paragraphs (2A), (2B) and (2C)" substitute "paragraph (2C)";

(ii) omit sub-paragraph (b);

(b) omit paragraphs (2A) and (2B).

14. In regulation 60(2) (credit obligation period), omit sub-paragraph (b) and the "or" before it.

15. In regulation 69(5) (requesting reconsideration by the Delivery Body), omit "and, regulations 29(10A) and 87(7),".

16. Omit regulations 87 to 87B.

17. In regulation 87C (Transitory provisions: the T-3 auction)—

(a) in paragraph (1), omit "under regulation 10(1)(bb)";

(b) in paragraph (2)—

(i) in sub-paragraph (a)—

(aa) omit "10(4), 12(2),";

(bb) omit "34(1),";

(ii) omit sub-paragraph (b).

18. In Schedule 1 (settlement calculations)—

(a) in paragraph 3—

(i) in sub-paragraph (4), for "sub-paragraphs (5) and (6)", substitute "sub-paragraph (5)";

(ii) omit sub-paragraph (6);

(b) in paragraph 5(4), in the definition of "PEzx", for "to (6)", substitute "to (5)";

(c) omit paragraph 9.

Revocation of provisions in the Electricity Capacity (No. 1) Regulations 2019

19. The Electricity Capacity (No. 1) Regulations 2019 are amended as follows.

20. Omit Chapter 2 of Part 3 (payments administered by the Settlement Body: modifications to application of Principal Regulations: agreements existing on 15th November 2018).

21. Omit Chapter 2 of Part 4 (capacity agreements: miscellaneous: modifications of Principal Regulations).

22. Omit Part 5 (conditional agreement auction) and Part 6 (modifications to Supplier Payment Regulations).

Revocation of provisions in the Electricity Capacity (Amendment etc.) (Coronavirus) Regulations 2020

23. The Electricity Capacity (Amendment etc.) (Coronavirus) Regulations 2020 are amended as follows.

24. Omit regulation 4 (modifications to the application of the Principal Regulations).

25. Omit Schedule 2 (modifications to application of Principal Regulations).

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations make amendments to the Electricity Capacity Regulations 2014 (S.I. 2014/2043) ("the Principal Regulations"), and revoke provisions of the Principal Regulations, the Electricity Capacity (No. 1) Regulations 2019 (S.I. 2019/862) and the Electricity Capacity (Amendment etc.) (Coronavirus) Regulations 2020 (S.I. 2020/697).

The Principal Regulations make provision for the purpose of meeting consumer demand for electricity in Great Britain by establishing a Capacity Market ("the scheme"). Under the scheme, those who make capacity available ("capacity providers") can be awarded capacity agreements, which give them rights including the right to receive capacity payments, and impose obligations on them to use their capacity market units to provide capacity during one or more specified years ("delivery year"). Capacity agreements ordinarily last until the end of their only or final delivery year or when terminated before that by the Delivery Body (currently, the National Energy System Operator) due to a capacity provider's failure to meet a specified obligation. Further detailed and technical provision in respect of the scheme is made by the Capacity Market Rules 2014 ("the Rules")(**a**).

Part 2 of these Regulations makes amendments to the Principal Regulations to introduce a mechanism which capacity providers may use to seek termination of their capacity agreement without penalty (a "managed termination") in order to move onto a Contract for Difference ("CFD") where that CFD relates to carbon capture and storage (a "CCS CFD"). A managed termination mechanism is necessary because capacity providers are not able to concurrently benefit from support under the scheme and a CFD. Under a managed termination, the termination takes effect on a date specified by the Delivery Body which may be several years after the capacity provider seeks termination in order to ensure that security of electricity supply is not compromised.

Regulation 3 amends regulation 2 of the Principal Regulations to introduce new defined terms which are used in the provisions which relate to a managed termination.

Regulation 4 amends regulation 16 of the Principal Regulations, which prevents a person from pre-qualifying for the scheme if they have entered into a CFD, to clarify its operation in respect of a CCS CFD.

Regulation 5 amends regulation 34 of the Principal Regulations, which provides a separate route for voluntary immediate termination, to clarify that that route will not be available in respect of CCS CFDs.

Regulation 6 introduces a new regulation 34A to the Principal Regulations, which contains the mechanism by which the Delivery Body will terminate a capacity agreement under a managed termination, including what details a capacity provider needs to include in a notice requesting such a termination (a "CCS CFD transfer notice").

Regulation 7 amends regulation 60 of the Principal Regulations to enable the release of credit cover which is held in respect of a capacity agreement that is terminated following a managed termination.

(**a**) A consolidated version of the Capacity Market Rules 2014 are at https://www.gov.uk/government/publications/capacity-market-rules. Copies are available from the Department for Energy Security and Net Zero, London, SW1A 2EG.

Regulations 8, 9 and 10 amend regulations 68, 69 and 70 of the Principal Regulations respectively in order to enable a capacity provider to dispute the Delivery Body's refusal to accept a CCS CFD transfer notice.

Part 3 of these Regulations makes revocations to address redundant provisions in secondary legislation relating to the scheme.

An impact assessment has not been prepared for this instrument. The scheme was subject to a full impact assessment when it was first introduced. This instrument is intended to improve the operation of existing arrangements for the delivery of the scheme. It introduces changes that will only have minor impacts on business, and no impact is foreseen on the voluntary or public sector.

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