STATUTORY INSTRUMENTS

2026 No. 850

ELECTRICITY

The Electricity Capacity (Amendment and Transitional Provision) Regulations 2026

Made - - - -	*16th July 2026*
Coming into force - -	*17th July 2026*

The Secretary of State makes these Regulations in exercise of the powers conferred by sections 27(1) and (5), 28(1) and (4)(b), (c), (f), (h) and (j), 28(6), 30(1), (4)(b) and (5), 31, 32, 36(1), (3) and (4)(a), and 40(1) of the Energy Act 2013(**1**) ("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.

Citation, commencement and extent

1.—(1) These Regulations may be cited as the Electricity Capacity (Amendment and Transitional Provision) Regulations 2026.

(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.

Amendments to the Electricity Capacity Regulations 2014

2.—(1) The Electricity Capacity Regulations 2014(**2**) are amended as set out in Schedule 1.

(2) Any reference in that Schedule to a numbered regulation is to the regulation so numbered in those regulations.

(**1**) 2013 c. 32.
(**2**) S.I. 2014/2043; relevant amending instruments are S.I. 2016/742, S.I. 2017/1053, S.I. 2023/860, S.I. 2025/183, and S.I. 2025/917.

Amendments to the Electricity Capacity (Supplier Payment etc.) Regulations 2014

3.—(1) The Electricity Capacity (Supplier Payment etc.) Regulations 2014(**3**) are amended as set out in Schedule 2.

(2) Any reference in that Schedule to a numbered regulation is to the regulation so numbered in those regulations.

Amendments to the Electricity Capacity (No. 1) Regulations 2019

4.—(1) The Electricity Capacity (No. 1) Regulations 2019(**4**) are amended as set out in Schedule 3.

(2) Any reference in that Schedule to a numbered regulation is to the regulation so numbered in those regulations.

Michael Shanks
Minister of State
16th July 2026 — Department for Energy Security and Net Zero

(**3**) S.I. 2014/3354 to which there are amendments not relevant to these Regulations.
(**4**) S.I. 2019/862; relevant amending instruments are S.I. 2019/1139 and S.I. 2025/917.

Schedules

Schedule 1 — Regulation 2

Amendments to the Electricity Capacity Regulations 2014

Amendments to regulation 2

1. In regulation 2 (interpretation) in paragraph (1)—

(a) for the definition of "auction clearing price", substitute—

""auction clearing price" means, in relation to a capacity auction, the price per MW which, subject to any provision for adjustment of capacity payments for inflation, is determined by the capacity auction to be the price at which capacity payments are payable in respect of capacity committed CMUs awarded a capacity obligation in that capacity auction;"; and

(b) in the definition of "TFx" for "5" substitute "9".

Amendments to regulation 16

2. In regulation 16 (excluded capacity: low carbon support scheme CMUs)—

(a) for paragraph (2), substitute—

"(2) The Delivery Body must not prequalify a CMU if, in respect of the generating station that comprises or includes the CMU—

(a) the CFD counterparty has made an offer of a direct award CFD and—

(i) the CFD counterparty and an eligible generator have entered into that CFD;

(ii) that CFD has not expired or been terminated; and

(iii) the applicant does not provide a non-support confirmation by the close of the prequalification window; or

(b) the CFD counterparty has made an offer of an allocation round CFD and—

(i) an eligible generator has entered into the CFD; and

(ii) that CFD has not expired or been terminated.";

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

(c) in paragraph (4)—

(i) before the definition of "co-firing CMU", insert—

""allocation round" means an allocation round established by the Secretary of State under regulation 4 of the Contracts for Difference (Allocation) Regulations 2014(**5**);

"allocation round CFD" means a CFD offered under section 14(1) of the Act (CFD notification: offer to contract on standard terms) and regulation 10(1) of

(**5**) S.I. 2014/2011; amended by S.I. 2024/710; there are other amending instruments but none are relevant.

the Contracts for Difference (Standard Terms) Regulations 2014(**6**) (offer to contract) following an allocation round;";

(ii) after the definition of "co-firing CMU", insert—

""direct award CFD" means a CFD offered by the CFD counterparty following a direction given by the Secretary of State under section 10(1) of the Act (direction to offer to contract);";

(iii) after the definition of "FIT Order", insert—

""generation counterparty payment" has the meaning given in regulation 4(2) of the Contracts for Difference (Electricity Supplier Obligations) Regulations 2014(**7**);

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

(iv) in the definition of "non-support confirmation"—

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

(bb) at the end of sub-paragraph (b), insert "or";

(cc) after sub-paragraph (b), insert—

"(c) that, in respect of a direct award CFD, the applicant will not receive a generation counterparty payment or be obliged to make a generation party payment in respect of the relevant CMU for any of the delivery period;".

Amendment to regulation 21

3. In regulation 21 (auction guidelines), in paragraph (1) after "start of the prequalification window," insert "and as soon as reasonably practicable following any extension to the prequalification window made by the Delivery Body or Secretary of State under the capacity market rules,".

Amendments to regulation 32

4. In regulation 32 (termination fee rates)—

(a) in paragraph (1), in the definition of "TFx_{rate}" for "5" substitute "9"; and

(b) in paragraph (2), after "$TF5_{rate}$ is £35,000/MW" insert—

"$TF6_{rate}$ is £6,500/MW;

$TF7_{rate}$ is £13,000/MW;

$TF8_{rate}$ is £19,500/MW;

$TF9_{rate}$ is £45,500/MW.".

Amendment to regulation 34

5. In regulation 34 (termination of capacity agreements: CFDs and ROO conversions), in paragraph (3) in the definition of "CFD transfer notice" for "for a CFD" substitute "for an allocation round CFD".

(**6**) S.I. 2014/2012; amended by S.I. 2016/784; there are other amending instruments but none are relevant.
(**7**) S.I. 2014/2014; relevant amending instruments are S.I. 2024/1159 and S.I. 2025/903.

Amendments to regulation 43

6. In regulation 43 (termination fees)—

(a) in paragraph (3), for "5" substitute "9"; and

(b) in paragraph (5), in the definition of "TFx_{rate}" for "5" substitute "9".

Amendments to regulation 51

7. In regulation 51 (withholding credit payments to capacity providers)—

(a) in paragraph (1)—

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

(ii) after sub-paragraph (a), insert—

"(aa) C is issued a termination notice in relation to a CMU ("CMU i") for an insolvency termination event (a "relevant termination notice"); or";

(iii) in sub-paragraph (b), at the start, insert, "other than when sub-paragraph (aa) applies,";

(b) in paragraph (2)—

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

(ii) after sub-paragraph (a), insert—

"(aa) where a relevant termination notice has been issued, no monthly capacity payment is paid in respect of the relevant CMU from the date the relevant termination notice is issued, and credit is withheld in accordance with paragraph (2A); and";

(c) after paragraph (2), insert—

"(2A) Where C is issued a relevant termination notice, the Settlement Body must withhold credit in accordance with the formula—

$$A = X \times \frac{Y}{Z}$$

where—

A is the adjusted capacity payment;

X is the full monthly capacity payment;

Y is the number of days in that month before the date the relevant termination notice was issued; and

Z is the total number of days in the month during which the termination notice was issued.

(2B) The Settlement Body is not required to withhold credit from C under paragraph (1)(aa) if the relevant termination notice is withdrawn.

(2C) Paragraph (1)(aa) applies to the termination of a transferred part as it applies to the termination of a capacity agreement.".

(d) for paragraph (3), substitute—

"(3) In this regulation—

"data default notice" has the meaning given in regulation 37(1);

"insolvency termination event" and"termination notice" have the meanings given in the Rules.".

Amendments to regulation 52

8. In regulation 52 (payment of withheld credit)—

(a) in paragraph (2), for "51(1)(b)" substitute "51(1)(aa) or 51(1)(b)"; and

(b) after paragraph (3), insert—

"(4) Where credit is withheld from C under under regulation 51(1)(aa) and a relevant termination notice is subsequently withdrawn, the Settlement Body must pay the withheld credit in accordance with the formula—

$$A = X \times \frac{Y}{Z}$$

where—

A is the adjusted capacity payment;

X is the full monthly capacity payment;

Y is the number of days in that month after (and including) the date the relevant termination notice was issued; and

Z is the total number of days in the month during which the termination notice was issued.

(5) Paragraph (4) applies to the termination of a transferred part as it applies to the termination of a capacity agreement.

(6) In this regulation, "relevant termination notice" has the meaning given in regulation 51(1)(aa).".

Amendment to regulation 53

9. In regulation 53(3), in the definition of "the required amount", for "59(1) or (4)" substitute "59(1), (4) or (5A)".

Amendment to regulation 59

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

(a) in paragraph (2)—

(i) in sub-paragraph (a)(i), for "£5,000" substitute "£6,500";

(ii) in sub-paragraph (a)(ia), for "£10,000", substitute "£13,000";

(iii) in sub-paragraph (a)(ii), for "£10,000", substitute "£13,000";

(b) in paragraph (2C), for "£5,000", substitute "£6,500";

(c) for paragraph (4), substitute—

"(4) The applicant credit cover provided under paragraph (1) in respect of a new build CMU must—

(a) where 12 months have elapsed after auction results day and where an applicant has not met the financial commitment milestone in accordance with the Rules, be increased by the capacity provider to an amount equal to £19,500 per MW of de-rated capacity; and

(b) where subsequently the applicant meets the financial commitment milestone in accordance with the Rules, be reduced to an amount equal to £13,000 per MW of de-rated capacity.";

(d) after paragraph (5), insert—

"(5A) Where CMU i is not an unproven demand side response CMU, the applicant credit cover provided under paragraph (1) in respect of CMU i must, where notice requiring an increase in applicant credit cover is given to a capacity provider by the Delivery Body under the Rules, be increased by the capacity provider to an amount equal to £45,500 per MW of de-rated capacity.

(5B) The increased credit cover required to be provided under paragraph (5A) must be provided within 15 working days of notice being given by the Delivery Body.".

New regulation 59A

11. After regulation 59 (requirement to provide applicant credit cover), insert—

"**Requirement to provide applicant credit cover: Transitional provision**

59A.—(1) This regulation applies to applications made before the coming into force of the Electricity Capacity (Amendment and Transitional Provision) Regulations 2026.

(2) Where this regulation applies, regulation 59 applies as if—

(a) in paragraph (2)—

(i) in sub-paragraph (a)(i), for "£6,500" there were substituted "£5,000";

(ii) in sub-paragraph (a)(ia), for "£13,000", there were substituted "£10,000";

(iii) in sub-paragraph (a)(ii), for "£13,000", there were substituted "£10,000";

(b) in paragraph (2C), for "£6,500", there were substituted "£5,000"; and

(c) for paragraph (4), there were substituted—

"(4) In circumstances specified in capacity market rules, the applicant credit cover provided under paragraph (1) in respect of a new build CMU must, where twelve months have elapsed after auction results day, be increased by the capacity provider to an amount equal to £15,000 per MW of de-rated capacity."".

Amendment to regulation 60

12. In regulation 60 (credit obligation period)—

(a) in paragraph (1), for sub-paragraph (g) substitute—

"(g) where CMU i is not an unproven demand side response CMU, A has fully discharged all the requirements in capacity market rules against which its applicant credit cover was secured, and which a failure to meet would either—

(i) result in its capacity agreement being terminated under capacity market rules; or

(ii) prevent A from being entitled under capacity market rules to capacity payments in respect of CMU i;";

(b) in paragraph (2)—

(i) at the end of sub-paragraph (a), insert "; or"; and

(ii) immediately after sub-paragraph (b)(**8**) but before the words at the end, insert—

"(c) where CMU i is awarded a capacity obligation following an application made after the coming into force of the Electricity Capacity (Amendment and Transitional Provision) Regulations 2026, in an

(**8**) Sub-paragraph (b) was revoked by S.I. 2025/917.

amount equal to £6,500 per MW of the amount of the de-rated capacity of CMU i,”.

Schedule 2 Regulation 3

Amendments to the Electricity Capacity (Supplier Payment etc.) Regulations 2014

Amendments to regulation 18

1. In regulation 18 (reconciliation runs)—

(a) in paragraph (1), after “subject to paragraphs”, insert “(1A),”;

(b) after paragraph (1), insert—

“(1A) The Authority may, where it considers that the periods specified in paragraph (1) should not be applied, direct the Settlement Body to carry out—

(a) scheduled monthly reconciliation runs to commence during each period which begins with the day after the last day of month M and ends with the day which is 7 working days, 30 working days and 84 working days after the last day of month M; and

(b) scheduled annual reconciliation runs to commence during each period which begins with the day after the last day of year X and ends with the day which is 7 working days, 30 working days and 84 working days after the last day of year X.”;

(c) after paragraph (3), insert—

“(3A) If the Authority makes a direction under paragraph (1A) after the Settlement Body publishes a timetable under paragraph (3), the Settlement Body must, in accordance with that direction, reschedule the monthly reconciliation runs or annual reconciliation runs, and as soon as possible—

(a) set a timetable for—

(i) the rescheduled monthly reconciliation runs for each remaining month of the delivery year containing month M; and

(ii) the rescheduled annual reconciliation runs for year X; and

(b) publish that timetable.”;

(d) in paragraph (5), after “(3)”, insert “, (3A)”.

Amendment to regulation 26

2. In regulation 26(1)(a)(ii) for “regulation 59(1)”, substitute “regulations 59(1), (4) or (5A)”.

Schedule 3 Regulation 4

Amendments to the Electricity Capacity (No. 1) Regulations 2019

Revocation of Chapter 1 of Part 3

1. In the Electricity Capacity (No. 1) Regulations 2019, omit Chapter 1 (supplier charge payments during standstill period) of Part 3 (payments administered by the settlement body).

EXPLANATORY NOTE

(This note is not part of the Regulations)

This instrument amends the Electricity Capacity Regulations 2014 (S.I. 2014/2043) ("the 2014 Regulations"), the Electricity Capacity (Supplier Payment etc) Regulations 2014 (S.I. 2014/3354) ("the Supplier Payment Regulations") and the Electricity Capacity (No. 1) Regulations 2019 (S.I. 2019/862) ("the 2019 Regulations").

The 2014 Regulations make provision for the purpose of meeting consumer demand for electricity in Great Britain by establishing a Capacity Market ("the scheme") under which those who make capacity available ("capacity providers") can obtain capacity agreements. Capacity agreements give capacity providers rights to receive capacity payments from the scheme's settlement body (the Electricity Settlements Company). Capacity agreements also impose obligations on capacity providers, principally to use their "capacity market units" ("CMUs") to provide capacity during system stress events. Following a prequalification process, during which applications must be made to the scheme's delivery body (the National Energy System Operator), capacity auctions are held in which capacity agreements are awarded.

The Supplier Payment Regulations impose obligations on persons who supply electricity in Great Britain to pay a supplier charge (to the settlement body) which is used to fund capacity payments. The initial determination of how much each supplier should pay is reviewed at set periods and is recalculated and adjusted, so suppliers are charged an accurate amount reflective of consumer's metered data. This process is known as reconciliation and is one of the settlement body's functions.

Further detailed and technical provision for the scheme is made by the Capacity Market Rules 2014 ("the Rules"). An informal consolidated version of the Capacity Market Rules 2014 are at https://www.gov.uk/government/publications/capacity-market-rules. Hard copies are available from the Department for Energy Security and Net Zero, 3 Whitehall Place, London, SW1A 2EG.

Regulation 2 and Schedule 1 amend provisions of the 2014 Regulations relating to: the requirements in respect of prequalification of applicants for capacity agreements; the credit cover required from applicants and capacity providers in certain circumstances; and the termination of capacity agreements once they've been awarded.

Paragraphs 1(b), 4, and 6 of Schedule 1 amend the termination fee regime (which includes the level of termination fees payable by a capacity provider if they fail to meet their obligations under a capacity agreement) to introduce higher termination fee rates.

Paragraphs 7 and 8 of Schedule 1 make amendments in respect of when a capacity agreement is terminated for the capacity provider becoming insolvent, and the settlement body must withhold payments.

Paragraphs 2 and 5 of Schedule 1 amend provisions in respect of the interaction between the scheme and Contracts for Difference ("CFDs"). Capacity providers are not able to concurrently benefit from support under the scheme and a CFD and the amendments provide for applicants to apply to prequalify where they have entered a CFD and support under that CFD will commence after the capacity agreement ends.

Paragraph 3 of Schedule 1 amends the reference to publication of auction guidelines by the delivery body to account for any extension made to the prequalification window under the Rules where there is a severe issue impacting the IT portal under which prequalification applications are made.

Paragraphs 9, 10, 11 and 12 of Schedule 1 amend the credit cover regime to increase the amount of credit cover which must be provided by applicants and capacity providers in certain circumstances. Transitional provision is introduced by paragraph 11 so that this increase does not apply to capacity agreements already awarded before this instrument comes into force.

Regulation 3 and Schedule 2 amend the Supplier Payment Regulations to amend references to reconciliation runs allowing the settlement body to account for an alternative timetable of scheduled calculations where required by the authority (Ofgem).

Regulation 2 and Paragraph 1(a) of Schedule 1, and Regulation 4 and Schedule 3 make amendments to the 2014 Regulations and revocations to the 2019 Regulations to address redundant provisions relating to the scheme.

In order to implement the policies in this instrument, amendments to the Rules are also required which will come into force simultaneously with this instrument.

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.