By email: futureelectricitysecurity@energysecurity.gov.uk

Uniper UK Limited

Compton House
2300 The Crescent
Birmingham Business Park
Birmingham B37 7YE
www.uniper.energy

Uniper

Registered in
England and Wales
Company No 2796628

Registered Office:
Compton House
2300 The Crescent
Birmingham Business Park
Birmingham B37 7YE

Response to: Capacity Market- proposed changes for Prequalification 2026

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About Uniper

Düsseldorf-based Uniper is a European energy company with global reach and activities in more than 40 countries. With approximately 8,000 employees, the company makes an important contribution to security of supply in Europe, particularly in its core markets of Germany, the UK, Sweden and the Netherlands.

Uniper's operations encompass power generation in Europe, global energy trading, and a broad gas portfolio. Uniper procures gas—including liquefied natural gas (LNG)—and other energy sources on global markets. The company owns and operates gas storage facilities with a total capacity of more than 7 billion cubic meters.

Uniper intends to be completely carbon-neutral by 2040. Uniper aims for its installed power generating capacity to be more than 80% zero-carbon by the early 2030s. To achieve this, the company is transforming its power plants and facilities and investing in flexible, dispatchable power generating units. Uniper is already one of Europe's largest operators of hydropower plants and is helping further expand solar and wind power, which are essential for a more sustainable and secure future. The company is progressively expanding its gas portfolio to include green gases like hydrogen and biomethane and aims to convert to these gases over the long term.

Uniper is a reliable partner for communities, municipal utilities, and industrial enterprises for planning and implementing innovative, lower-carbon solutions on their decarbonisation journey. Uniper is a hydrogen pioneer, is active worldwide along the entire hydrogen value chain, and is conducting projects to make hydrogen a mainstay of the energy supply.

About Uniper in the UK

In the UK, Uniper owns and operates a flexible generation portfolio of power stations, a fast-cycle gas storage facility and two high pressure gas pipelines, from Theddlethorpe to Killingholme and from Blyborough to Cottam. We also have significant long-term regasification capacity at the Grain LNG terminal in Kent, to convert LNG back to natural gas.

Summary:

- A higher price cap is essential to bring forward new build dispatchable enduring capacity.
- We can see the merits of option 6 at this stage in the energy transition, to meet current system needs and provide for low carbon dispatchable enduring capacity at a later stage.
- The principle of transparency underpins both market efficiency and market integrity.

Consultation response

Multiple Price Capacity Market

Question 1: Do you agree that the proposed price-related reforms will be effective in achieving the CM's security of supply objective? [Yes/No]

Yes.

We believe this proposal is essential for delivering flexible, on-demand power to maintain grid stability during the current transformation of the power system.

Aligned with the Government's Clean Power 2030 initiative and NESO's resource adequacy assessment, the proposal accurately acknowledges the important role that unabated gas assets will play in safeguarding Great Britain's energy supply until new low-carbon, dispatchable technologies become available.

Question 2: If you disagree, please provide reasons for your disagreement and evidence to support your views.

N/a.

Question 3: Do you agree that targeting access to higher prices than currently allowed will be effective in achieving the CM's cost-effectiveness objective? [Yes/No]

Yes.

Question 4: If you disagree, please provide evidence for your response.

N/a.

Question 5: Do you agree with the proposed category of eligible capacity? [Yes/No]

Yes. We agree with the proposed category of eligible capacity and recognise the need for dispatchable enduring capacity that is not reliant on stored energy. In this context, it is important to recognise the distinct role that Combined Cycle Gas Turbines (CCGTs), which can be decarbonised at a later stage, will have in ensuring a secure energy supply within a predominantly renewable system, while also providing a route towards net-zero emissions in the future. Additionally, the high efficiency, flexibility, responsiveness and lower operating costs of new CCGTs, compared with certain other technologies considered in this category, make these assets particularly appealing for the new MPCM mechanism.

Question 6: If you disagree, please provide evidence to support your position.

N/a.

Question 7: Do you agree with the minded-to position to implement option 6 as the design of the multiple-price Capacity Market? Yes/No

Yes, we can see the merits of option 6 at this stage in the energy transition, to meet current system needs and provide for low carbon dispatchable enduring capacity at a later stage.

From our perspective, in addition to the considerations outlined in the consultation document, the design of the multi-price Capacity Market should take into account the following:

- In light of the ongoing transformation of the power system, it is beneficial to allocate a dedicated share of eligible capacity to new assets in order to maintain security of supply.
- Establishing an environment conducive to the immediate deployment of new-build CCGT, with a route to decarbonisation, supports the balance between cost-effectiveness, security of supply, and progress towards decarbonisation goals.
- Simultaneous large-scale construction of new capacity would be expensive, particularly considering current constraints within the supply chain. Therefore, a phased approach is recommended, whereby the government determines procurement volumes at each auction and distributes investments across multiple rounds.
- Lifetime extension (LTE) strategies can be justified by the goal of maximising the economic lifespan of existing assets. However, it is important to acknowledge that ageing technologies may present challenges in terms of efficiency and reliability and may not be optimal for future decarbonisation. Therefore, continued reliance on them alone could impede the adoption of more advanced and sustainable solutions.

Question 8: If you disagree, please explain which approach you would favour and why.

N/a.

Question 9: What would be an appropriate level for the new, higher price cap, to make eligible new build dispatchable enduring projects commercially viable? Please provide evidence to support your position.

The price cap was set back in 2014 and therefore is no longer reflective of the substantially different market conditions, new requirements and policy changes. With that in mind, the cap should be adjusted to reflect on, at least the following:

- The new readiness and resilience standards.
- Increased UK Labour NEACI rates, as well as labour rates in the countries for OEM manufacture.
- Increased material used in new built power stations (steel and copper in particular) and the significant price escalation of those materials since 2014.
- Increased global demand for CCGT, which means that there is a much greater competition for supply chains than back in 2014. There are limited number of OEMs to respond to that demand and their order books are either at or nearing saturations.

All of those factors mean that the CAPEX costs of a new plant are considerably different now. DESNZ should undertake some additional analysis of all of these points before setting a new higher price cap.

Question 10: What factors and considerations should be taken into account when deciding whether and at what volume to set a sub-target for eligible capacity?

The following factors and considerations should be taken into account for setting a sub-target for eligible capacity:

- anticipated future demand

It is essential to account for the increased demand anticipated from new sources, such as data centres, which are expected to place significant additional pressure on the electricity system. Furthermore, consideration should be given to growing electricity usage from electric vehicles (EVs) and heat pumps, both of which will drive future demand higher.

- firm capacity requirements across weather scenarios

An important consideration is determining the levels of firm capacity required to maintain secure supply across a range of weather years and varying weather patterns, such as *Dunkelflaute*. Assessing these needs is crucial for ensuring energy security during periods of low renewable generation.

- role of dispatchable enduring capacity during adverse weather events

The level of dispatchable, enduring capacity needed to maintain supply security during adverse weather events, like *Dunkelflaute*, must be assessed. This includes evaluating the potential for batteries to support peak shaving over shorter periods, while recognising that wind and solar may not be able to recharge batteries during those extended low renewable generation periods.

- risk associated with asset reliability and technology deployment

There is a need to cushion the risks stemming from potential failures of existing, ageing fleet to cope with the increased operational stress due to rising demand for electricity. Those risks could be further exacerbated, in case of any potential delays in bringing new build (such as nuclear, CCGTs) online.

- supply chain constraints and construction feasibility

Decisions should factor in what is practically feasible to construct within the relevant timescales, recognising supply chain limitations and construction costs. The demand for infrastructure will place pressure on shared supply chain resources. Therefore, a phased approach, with staggered start times for new build capacity, should be implemented to manage these constraints effectively and ensure timely delivery of new assets.

Question 11: What, if any, practical changes beyond those set out in the consultation do you consider would be needed or merited to implement the proposed design?

We consider that the government should consider new build assurance to protect against CM agreement transfers. If asset ownership changes, CM regulations should allow transfers only to a comparable asset that meets the same criteria for dispatchable enduring capacity.

Ensuring efficient bidding in Capacity Market auctions

Question 12: Do you agree with the proposed increase to the excess capacity rounding threshold for all CM auctions?

No.

Question 13: If you disagree, are there any likely unintended consequences associated with this change?

The principle of market transparency is consistent with ensuring market efficiency and preventing insider trading. Transparency enables good bidding behaviour to arrive at efficient outcomes. Transparency of the auction draws in many entrants and ensures a competitive market, as small companies and new entrants can more easily participate on the same terms as the larger ones.

The consequences of these proposals to decrease transparency in the auction are more likely to enable undesirable bidding behaviour and discourage investment. Big companies can better manage the risks created by less transparent arrangements than small companies and new entrants. The proposed measures would increase barriers to entry for small companies which lack the resources to research and analyse the available information to make up for this reduced clarity.

Government and the delivery body must carry on monitoring the behaviour of participants in the auction. If any participants are identified as having demonstrated inappropriate behaviour, then enforcement action should be taken against those parties.

Question 14: Do you agree with the proposed delay in publication of the identity and aggregate de-rated capacity of prequalified CMUs for all CM auctions?

No.

Question 15: If you disagree, are there any likely unintended consequences associated with this change?

As per our answer to Question 13. Additionally, the proposed mechanism could give large parties with multiple plants in the auction an unfair advantage. Because they have several assets and can see how each of them is positioned, they might more easily determine if certain units have withdrawn from the auction, and they would know whether any of their own assets have been opted-out - information that under these proposals would not be available to the rest of the market.

Consumer-led flexibility

Question 16: Do you agree with the proposal to reduce reporting requirements for individual components where their nameplate capacity is below a set value?

Yes.

Question 17: If you disagree with the proposal, please provide reasons for your disagreement and evidence to support your views.

N/a.

Question 18: The government has proposed a 20-kW threshold per component. Do you agree with the proposed threshold?

Yes.

Question 19: If you disagree with the proposed threshold, please suggest an appropriate threshold where individual component reporting should be set and your rationale.

N/a.

Question 20: If implemented, do you believe the proposal would introduce unintended or negative consequences? If yes, please provide details as to what these would be and the effects of those.

Relaxing the reporting standard may lead to more casual administration of aggregated DSR capacity. Unless diligent auditing is maintained the consequence would be underperforming capacity during a system stress event.

Question 21: Do you believe there are alternative approaches that could better meet the proposal's intent? If yes, please provide details.

The approach proposed should be accompanied by rigorous test requirements that are properly conducted and enforced by the delivery body.

Question 22: Do you agree with the proposals above to introduce additional DSR categorisations as part of the Business Model and Business Plan?

Yes.

Question 23: Do you believe the introduction of these proposals carry unintended consequences? If so, please provide details.

This proposal could introduce a means by which polluting diesel generators receive government support as behind the meter generation.

Question 24: Do you agree with the proposal to record DSR by the technology's response type?

Yes.

Question 25: Do you agree with the proposal to record DSR according to the purpose of electricity supply, i.e., domestic or non-domestic?

Yes.

Question 26: If you disagree with the above proposals or have alternative suggestions to the above, please provide details.

N/a.

Question 27: Do you agree with proposals to require an Independent Technical Expert report confirming that the CMU's longevity will be met?

Yes.

Question 28: Do you believe any additional or alternative measures could be introduced such that delivery assurance and value-for-money interests are met? If so, please provide details.

The DSR capacity should demonstrate it can achieve the declared capacity.

Question 29: Do you agree with the proposal to align DSR Tests more closely with the timing of their component reallocations?

Yes.

Question 30: Do you believe the proposal will introduce unintended consequences? If so, please provide details.

None of which we are aware.

Question 31: If you disagree the proposal, please provide an explanation and suggest alternative solutions where possible.

N/a.

Question 32: Do you agree with the proposal to require DSR CMUs to evidence a minimum 50% capacity relative to its Auction Acquired Capacity?

Yes.

Question 33: If you disagree, please provide details and supporting evidence to justify your position.

N/a.

Question 34: Do you agree with the proposal to extend the current DSR de-rating methodology as outlined above?

We have no comment on the methodology proposed but agree that STOR is not a good proxy for DSR.

Question 35: If you disagree, please provide rationale and alternatives to this proposal.

A better alternative would be to use the results of the rigorous DSR test to derive a specific derating factor.

Question 36: Do you agree with the intent to require greater clarity of POSGUs at the point of application?

Yes.

Question 37: Do you agree with the introduction of a TF4 Termination Fee for false declaration of POSGUs?

Yes.

Question 38: If you disagree with the TF4 Termination Fee, please provide your reasoning and alternative suggestions where possible.

In addition to the termination fee, capacity providers should be disqualified from participating in the CM. The duration of the disqualification could be linked to the degree of the offence. Inadvertent errors could lead to disqualification from the next auction. Deliberate attempts to mislead could result in longer suspensions.

Self-nomination of connection capacity for battery storage technologies

Question 39: Do you agree with the proposal to allow self-nomination of connection capacity for CMUs of the fuel type "Storage – Battery"?

No.

Question 40: If you disagree with the proposal in Question 39, please state why and provide evidence where possible.

The CM is technology neutral. If batteries are allowed to self-nominate connection capacity, all other technology types should be allowed to do the same. We support the principle of self-nomination, but to introduce it just for batteries would be unduly discriminatory. All capacity providers must pass delivery tests, and there is no incentive to nominate a lower capacity than the provider can achieve. Indeed, we would note that previous concerns around the use of CEC for setting Connection Capacity were that it might lead to overstating, not understating it. We would also point to the significant work that has been done at CMAG on this issue, including the proposed safeguards that have been suggested to work alongside self-nomination.

Question 41: Do you agree with the inclusion of a floor on the self-nominated SCC of 50% full connection capacity, which Storage Capacity Providers must adhere to?

Yes.

Question 42: If you disagree with the proposal in Question 41, do you foresee issues with the concept of the floor or the level to which it is set? If not 50%, what would be an appropriate level? Please provide evidence where possible.

N/a.

Question 43: Do you foresee any unintended consequences or risks which could arise from the proposals set out in Questions 39 and 41?

None of which we are aware.

Question 44: Noting the considerations outlined in this section of the consultation, do you have any further comments or concerns regarding Battery Storage CMUs participating in the CM? Are there any further required changes which have not been identified or considered?

Proposals in this consultation notwithstanding, the treatment of battery storage behind the meter should not be advantageous when compared to battery storage that provides capacity.

Determining appropriate means for non-fossil fuel generation to access low carbon CM mechanisms

Question 45: Do you agree with the interim solution of adopting a version of the established Renewables Obligation sustainability criteria?

Yes.

Question 46: If you disagree, please provide any alternate suggestions.

N/a.

Question 47: Do you agree with the proposed longer-term solution to align with the upcoming biomass common framework?

Yes.

Question 48: If you disagree, please provide any alternative suggestions.

N/a.

Question 49: Do you agree with the proposal to apply the enhanced sustainability criteria of the proposed low carbon dispatchable Contract for Difference to all CM eligible woody biomass generators ≥ 1 MW?

Yes.

Question 50: If you disagree, please provide any alternative suggestions.

N/a.

Question 51: Do you agree the government should implement a process that includes annual reporting in the same format as the RO's Annual Sustainability Audit Report?

Yes.

Question 52: If you disagree, please provide any alternate suggestions.

N/a.

Question 53: Do you agree that EfW in its current form, without carbon capture and storage, is primarily a function of the waste management system, and as such, faces different decarbonisation challenges to other methods of electricity generation?

Yes.

Question 54: If you disagree, please provide any alternative suggestions.

N/a.

Question 55: Do you agree that the challenges in reliably measuring EfW biogenic content, setting a minimum biogenic threshold, and verifying that biogenic content in waste make this unworkable for the CM specifically, where payments are based on capacity provided rather than generation?

Yes.

Question 56: If you disagree, please provide any alternative suggestions.

N/a.

Further improvements to Capacity Market Administration and Delivery Assurance

Clarifying what constitutes 'Waste' for the Energy from Waste Generation Technology Class in Schedule 3 of the Capacity Market Rules

Question 57: Do you agree with the proposal to introduce a definition of "waste" into the CM Rules?

Yes.

Question 58: Do you agree with the proposal to use the definition of "waste" found in Article 3(1) of the Waste Frame Directive, as modified by Article 5 and Article 6 of the Directive?

Yes.

Question 59: If you disagree with the proposed definition of "waste", please provide any alternate suggestions.

N/a.

Question 60: Are there any other GTCs that you think should be further defined in order to clarify the Rules and reduce uncertainty for market participants and Delivery Partners?

None of which we are aware.

Question 61: Do you think that the proposal to add a definition of "waste" into the CM Rules will have any unintended consequences? If so, please provide details.

None of which we are aware.

Clarifying Rule 2.3.3 with regards to De-rating Factors and secondary trading

Question 62: Do you agree with the proposed amendment to clarify Rule 2.3.3(b)?

No.

Question 63: Do you agree that the De-rating Factor for the Transferee CMUs should be set at the same level as the T-1 Auction for the Delivery Year relevant to the trade?

No.

Question 64: If you disagree, please provide an alternative solution.

The proposal does not clarify Rule 2.3.3(b) it will change it. It is clear that the current rule says that the de-rating factor that applies to a traded obligation is that that was set for the auction in which that obligation was awarded.

We recognise that the simplicity of the proposed amendment is appealing to the delivery body. It doesn't reflect the issues faced by some capacity providers. For example, a capacity provider may find that the delivery body prevents a secondary trade of T-4 acquired obligations between identical units, in circumstances where there have been minor changes in derating factors between the T-4 and T-1 auctions. In these cases, where units of the same technology class have the same nameplate rating, there is a close to zero change to the risk of delivery and should not be an obstacle to secondary trading. Therefore, the de-rating factor that was set in the auction that awarded the agreement should be used, as is the existing requirement of Rule 2.3.3.

Question 65: Do you think that the proposal to amend Rule 2.3.3 will have any unintended consequences? If so, please provide details.

Rigid application of the proposal could lead to unnecessary termination of agreements and the loss of robust capacity that could be delivered during a system stress event.

Suspending Capacity Market Payments for units that are under an Insolvency Termination Event

Question 66: Do you agree with the proposal to suspend Capacity Payments to Capacity Providers that are being terminated because of an Insolvency Termination Event at the point of the Termination Notice being issued?

Yes.

Question 67: Do you think the proposed amendment will have any unintended consequences? If so, please provide details.

None of which we are aware.

Amendments to Rule 8.3.3(f)(i) to provide greater clarity

Question 68: Do you agree with the proposal to amend Rule 8.3.3(f)(i) to clarify the timeline for the submission of information to EMRS after submitting a completed Metering Assessment?

Yes.

Question 69: Do you think the proposal will have any unintended consequences? If so, please provide details.

None of which we are aware.

Updating the approximate timetable in Rule 2.2.2 to reflect the indicative current length of the process

Question 70: Do you agree with the government's proposal to amend the approximate timetable in Rule 2.2.2 to align more closely to the scheme's operational timetable?

Yes. The approximate timetable should better reflect the operational timetable. In addition the government should require the delivery body to improve the efficiency of its processes to ensure a stable timetable.

Question 71: Are there any activities not currently mentioned in the proposed amended Rule 2.2.2 that should be included in the indicative timetable? Are there any events currently mentioned in Rule 2.2.2 that should be removed?

None.

Question 72: Do you think that the proposed change to Rule 2.2.2 will have any unintended consequences? If so, please provide details.

None of which we are aware.

Extension to Prequalification Window following IT issue

Question 73: Do you agree with the proposal to add a new Rule allowing the Delivery Body to extend the deadline to submit a Prequalification Application if there was a severe IT issue that renders the prequalification process impossible or unfair to all Applicants?

Given the Delivery Body's poor track record with IT systems, yes.

Question 74: Do you agree that this extension should be instigated by the Delivery Body rather than the Secretary of State? If not, please provide details.

Yes.

Question 75: Do you agree that any extension should be fixed for a certain amount of time to provide industry greater certainty? If not, please provide details.

Yes.

Question 76: What are your views regarding the option for a further extension beyond an initial period of 5 working days? Do you think such a decision should be taken by the Delivery Body or Secretary of State?

If a further extension is required, the decision should be taken by the Secretary of State.

Question 77: Do you agree that an extension should only be considered if the severe IT issue occurred in the last 2 weeks of the Prequalification Window and remained a severe issue for a period of 24 hours or longer?

This criteria appear to be sensible and suitable.

Question 78: Do you think there are any unintended consequences of adding a new Rule allowing the Delivery Body to extend the deadline to submit a Prequalification Application if there was a severe IT issue that renders the prequalification process impossible or unfair to all Applicants? If so, please provide details.

It may reduce the pressure on the Delivery Body to get it right first time and introduce a delay, so should be tightly defined.

Long Stop Dates and terminated one-year Capacity Agreements

Question 79: Do you agree with the proposal to amend the definition of Long Stop Date to clarify to Capacity Providers that secure a one-year Capacity Agreement for a New Build CMU or Refurbishing CMU in the T-4 Auction will have a Long Stop Date of the start of the first scheduled Delivery Year, aligning to the process for the T-1 Auction?

Yes.

Question 80: Do you think there will be any unintended consequences of amending the definition of Long Stop Date to clarify this? If so, please provide details.

None of which we are aware.

Amending the Electricity Capacity (Supplier Payment etc.) Regulations 2014 to align to changes following the Ofgem-led Market-wide Half-Hourly Settlement workstream

Question 81: Do you agree with the proposals to amend the Electricity Capacity (Supplier Payment etc.) Regulations 2014 to align with the implementation of MHHS and ensure that the CM is adhering to legislation?

Yes.

Question 82: Do you agree with the proposals to amend the Electricity Capacity (Supplier Payment etc.) Regulations 2014 to remove references to the now outdated processes regarding the standstill period?

Yes.

Question 83: Do you think there are any unintended consequences of amending the Regulations to align with the implementation of MHHS? If so, please provide details.

None of which we are aware.

Question 84: Are there any other additional Regulations or CM Rules that you believe the government should consider changing to ensure that the CM is adhering to legislation and continues to function?

No.

Amendments to selected Termination Events

Question 85: Do you agree that a Termination Fee of category T4, set at £15,000/MW, is an appropriate fee level for Termination Events 6.10.1(o) and 6.10.1(q)? If not, please provide an alternative fee category/level.

Yes.

Question 86: Do you think there will be any unintended consequences of increasing the Termination Fee level for these Termination Events? If so, please provide details.

None of which we are aware.

Amendments to the Monitoring of Construction Milestone Progress Reports of Prospective CMUs

Question 87: Do you agree that further clarifying the information needed in the progress reports and engagement with Capacity Providers who fail to submit them is an appropriate way of resolving this issue?

Yes.

Question 88: Do you agree that a standardised construction progress report will improve the quality of reports submitted and make it simpler for Capacity Providers to submit reports by the relevant deadlines?

Yes.

Question 89: Do you have views on the suitability and effectiveness of a penalty regime or the introduction of mandatory Independent Technical Expert reports on compliance with this Rule? What would an alternative option look like?

The existing failure to comply costs are high enough to encourage compliance.