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Response to: Consultation on proposals to integrate low carbon technologies and enhance delivery assurance ahead of 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 six power stations, a fast-cycle gas storage facility, two high pressure gas pipelines, and significant regasification capacity at the Grain LNG terminal in Kent. We're also progressing CCS and hydrogen projects and expanding our onshore wind and solar portfolio, to further support energy security in the UK.

Summary:

- Proposed inflation-based increases in termination fees and credit cover are appropriate.
- In general, the rules around Secondary Trading and holding multiple obligations could be improved. However, we do not believe that there is a specific issue to be addressed in respect of Secondary Trading Entrants based on the evidence provided in the consultation. We have provided our rationale for this in the context of the existing rules and regulations.
- The existing rules adequately define New Build.

Consultation response

Question 1: Do you agree that, where a CfD has been awarded following a direction from Secretary of State, the relevant CMU can continue to participate in the Capacity Market so long as support from the CfD would not overlap with the Delivery Period for the Capacity Agreement won by the relevant CMU?

Yes.

Question 2: Are there any unintended consequences that the government should be aware of in implementing this change? If so, what are they? Provide evidence if possible.

None of which we are aware.

Question 3: Do you agree that these provisions should continue to not be available to CfD Applicants to the competitive Allocation Round process?

Yes.

Question 4: Would there be any unintended consequences if we did expand this proposal to cover all forms of CfD agreements?

We understood the rationale for not including CfDs awarded through the competitive Allocation Round was because such CfDs would commence providing support as soon as the project was able to generate. This would mean that there would be a high chance of the generator receiving overlapping payments if they were also supported through the Capacity Market.

Question 5: Do you agree that the check for overlapping payments should be from the earliest possible point that the CMU could benefit from the CfD awarded at the direction of Secretary of State?

Yes.

Question 6: If you do not agree with the proposal to check payments, please provide more details.

Not applicable.

Question 7: Do you agree that a Capacity Provider that wishes to enter into such a directly awarded CfD would have to provide evidence that they will not be receiving any benefit from this scheme during the Capacity Market Delivery Period for which they are Capacity Committed?

Yes.

Question 8: Do you agree that this evidence should be a copy of the document which sets out the term of their entitlement to benefit from the directly awarded CfD?

Yes.

Question 9: Please provide any additional comments on the evidence provision for a directly awarded CfD. Please include any evidence where possible.

No additional comments.

Question 10: Do you agree with proposals that LDES Cap and Floor recipients should be Price Takers by default?

Yes.

Question 11: If you disagree, please provide your reasoning.

Not applicable.

Question 12: Do you agree that LDES Cap and Floor recipients should retain the option to submit a Price Maker Memorandum as under Rule 4.8?

Yes.

Question 13: If not, please provide your reasoning.

Not applicable.

Question 14: Do you believe the introduction of the above risks unintended consequences? If so, please provide details and evidence.

None of which we are aware.

Question 15: Do you believe LDES Cap and Floor recipients participating in the CM should have access to agreements extending beyond one year and up to 15 years or be limited to a single year only?

A single year agreement only.

Question 16: Please provide reasons and evidence to support your views.

LDES projects experience substantial risk mitigation through the provision of Cap and Floor support. Therefore, it is not required to offer additional multi-year assistance via the Capacity Market. The suggested contract length aligns with the treatment of interconnectors under Cap and Floor arrangements, which similarly receive access only to single year agreements.

Question 17: Please share your views on the option of reducing CM agreement lengths for a CMU successful at CM auctions which is latterly successful in an application to the LDES Cap and Floor.

The principle of a single year CM agreement for an LDES Cap and Floor agreement holder should be retained.

Question 18: Do you agree or disagree that LDES Cap and Floor recipients and live applicants should be restricted from accessing long stop options?

Agree.

Question 19: Please provide justification and evidence to support your response.

In the calls for evidence [12] in 2021, government recognised that some LDES projects would require a build time longer than the 4 years that the Capacity Market auction accommodated for new build capacity. The summary of responses [3] captured the debate on advantages and disadvantages of long stop options. Government concluded that a Cap and Floor support scheme would be introduced for LDES rather than the CM modification. We agree with this decision and consider that LDES Cap and Floor recipients should be restricted from long stop options to maintain the security of supply purpose and integrity of the Capacity Market.

Question 20: Do you agree that a Director's Declaration should be made at the point of prequalification declaring interests in the LDES Cap and Floor?

Yes.

Question 21: Please provide reasoning for your views.

The Delivery Body needs transparency of interests in the LDES Cap and Floor scheme to correctly apply the CM rules.

Question 22: Do you agree with proposals to require interim confirmation of a project's status following prequalification and potential changes in eligibility criteria aligned to that?

Yes.

Question 23: Please provide reasoning for your views.

The Delivery Body needs transparency of interests in the LDES Cap and Floor scheme to correctly apply the CM rules.

Question 24: Do you agree with the proposed terminations to be applied where LDES Cap and Floor participants do not adhere to their director's declaration?

Yes.

Question 25: Please provide reasoning for your views

The policy intention is that LDES Cap and Floor agreement holders will be treated differently in the CM to other parties, albeit the detail of those different treatment options is subject to this and other ongoing consultations. To enact that policy intention, it needs to be recognised that changes in status for a prospective LDES Cap and Floor project may occur between its application at prequalification and it being operational. Therefore, the director's declaration needs to be up to date and relied upon. For that reason, the proposed terminations should be applied where LDES Cap and Floor participants do not adhere to their director's declaration, irrespective of the stage of the project.

Question 26: Do you agree with the proposal for an inflationary increase to Termination Fee rates? Please provide reasons with your answer.

Yes. It's appropriate to maintain the balance of risk between capacity providers and consumers.

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[1] Facilitating the deployment of large-scale and long-duration electricity storage: call for evidence

[2] Capacity Market: Improving delivery assurance and early action to align with net zero: call for evidence

[3] Capacity Market 2021 call for evidence: summary of responses , pages 19-22

Question 27: Do you agree with the proposal for an inflationary increase to Credit Cover requirements? Please provide reasons with your answer.

Yes. It's appropriate to maintain the alignment with termination fees.

Question 28: Do you agree with the proposal to increase Termination Fees and Credit Cover by 30%, in line with inflation? If not, please provide reasons and suggest an alternative amount to raise them by.

Yes.

Question 29: Do you agree with the proposal to not link increases in Termination Fees requirements to an inflation index, such as CPI? If not, please provide reasons with your answer.

Yes.

Question 30: Would the proposal in Option 1 have any unintended consequences? If so, please provide details.

None of which we are aware.

Question 31: Do you agree with the proposed reforms to the Termination Fee regime set out under Option 2? Please provide details.

No. The existing various levels of Termination Fee were set with regard to the type of failure. The proposal in Option 2 would be a significant departure from this and there is insufficient detailed analysis of the rationale for doing so and benefits that would arise as a consequence.

Question 32: Do you agree with setting the Termination Fee level at £45,500/MW, to reflect the current TF5 fee, adjusted for inflation? Please provide reasons.

No. If a single level Termination Fee was adopted, setting the Termination Fee at the highest level may not be the best solution to improve delivery assurance. The associated higher credit cover would incur higher cost for the capacity provider which is likely to translate into increased costs for consumers.

Question 33: What specific events should carry a lower, or zero, termination fee? Please provide details and any evidence.

The rationale for the existing tiers of Termination Fee would be mirrored in defining specific events subject to a lower termination fee.

Question 34: Are there are any Generating Technology Classes that could be disproportionately impacted by the proposal in Option 2? Please provide details and any evidence.

None of which we are aware.

Question 35: Do you think that the proposed reforms under Option 2 make the Termination Fee regime fairer, by applying a simpler fee structure? Please provide reasons.

No.

Question 36: Would the proposal in Option 2 have any unintended consequences? If so, please provide details.

None of which we are aware.

Question 37: Do you prefer Option 1 or Option 2 in regard to changes to the Termination Fee framework? Please provide details.

We prefer Option 1.

Question 38: Do you agree with the rate at which the new Credit Cover requirements are set in Option 1? Please provide reasons and evidence.

Yes, given an increase of termination fees in line with inflation, the credit cover requirements should be aligned.

Question 39: Do you agree with the rate at which the new Credit Cover requirements are set in Option 2? Please provide reasons and evidence.

If Option 2 were adopted, the credit cover requirements should be aligned with the level of the Termination Fee.

Question 40: Do you agree with the proposal in Option 2 to introduce a requirement for Unproven DSR units that win Agreements in T-4 Auctions to submit a declaration signed by two directors that evidences it has contracted a minimum of 50% of its Obligated Capacity, before 12 months prior to the start of the first Delivery Year? Please provide reasons.

Yes. This would be a delivery assurance measure for this technology type, especially given its unproven character.

Question 41: Do you agree with the proposal to introduce a requirement for Unproven DSR units that win Agreements in T-4 Auctions to submit report by an Independent Technical Expert that evidences it has contracted a minimum of 50% of its Obligated Capacity, before 12 months prior to the start of the first Delivery Year? Please provide reasons.

Yes, given its unproven character

Question 42: Do you agree that the 50% of Obligated Capacity is the correct level at which to set this requirement? Do you agree that this declaration should be required 12 months prior to the start of the Delivery Year? Please provide reasons.

Yes, the 50% level seems reasonable, given the unproven nature of the capacity and the assurance needed by the start of the Delivery Year.

Question 43: Do you agree with the proposal to hold Credit Cover until SCM is met and to align the requirements to different milestones? If not, are there any alternative dates that the government could hold Credit Cover until? Please provide reasons with your answer.

Yes, we agree with the proposal.

Question 44: Would the proposed amendments to Credit Cover have any unintended consequences? If so, please provide details.

There is a cost to maintaining credit cover and this increased cost is likely to be reflected in auction prices.

Question 45: Do you have any additional suggestions to improve delivery assurance in the CM? If so, please provide details with your answer.

None.

Question 46: Do you agree with the proposed amendments to Rules 3.13 to clarify that Secondary Trading Entrant Applications may not be made for a CMU that already possesses a Capacity Agreement for a given Delivery Year? Please provide reasons with your answer.

We are not certain that Rule 3.3.3(a) applies to applications for Secondary Trading Entrants as implied in the consultation. Secondary Trading Entrants applications are governed by Rule 3.13.1 which says:

"A Secondary Trading Entrant may submit an Application at any time from the Auction Results Day for the relevant T-1 Auction up to the end of the relevant Delivery Year, other than during the Prequalification Assessment Window for any Capacity Auction. "

Rule 3.13.2 adds:

"An Application submitted in accordance with Rule 3.13.1 must comply with Chapter 3, except to the extent that this Chapter 3 requires the submission of the Application during the Prequalification Window. "

However, Rule 3.3.3(a), although part of Chapter 3, specifically relates to applications made for "a CMU for a Capacity Auction". A Secondary Trading Entrant is not making an application for an auction. Therefore, it does not appear to apply. Some other sections in Chapter 3 refer to "Applications" without specifying that these are for Auctions, which of course then means that they apply to applications for Secondary Trading Entrants too. If the intention was for the whole of Section 3 to apply to applications for Secondary Trading Entrants, as if references to applications for a Capacity Auction should be read as applying for Secondary Trading Entrants, then we would have expected the wording to have said this specifically.

That said, for the CMU concerned to already hold a Capacity Agreement for the relevant Delivery Year, it must have already received an agreement in an Auction for that Delivery Year or qualified to be an Acceptable Transferee and subsequently acquired an Obligation through a Secondary Trade.

If it has an existing obligation from a previous Auction, then this should be at the level of its prequalified Connection Capacity. Therefore, there should be no ability to acquire additional obligations, as this cannot be subsequently changed. Alternatively, if the CMU already qualified as an Acceptable Transferee and acquired an obligation through a Secondary Trade, then it still wouldn't need to become a Secondary Trading Entrant, as it already must have been an Acceptable Transferee to acquire it. Therefore, Rule 3.3.3(a) does not need to apply to Secondary Trading Entrants, as the scenario where it would need to be applied doesn't appear to exist.

Question 47: Do you agree with the proposed amendment to Rule 9.2 to clarify the Capacity Agreement status of CMU Transferors? Please provide reasons with your answer.

We are not sure why Regulation 4(2)(b) is cited as implying that only one Capacity Agreement can be held by a CMU for the same Delivery Year. This simply states that the same Generating Unit cannot appear in more than one CMU, not that the CMU cannot have multiple agreements. It could still operate independently of other CMUs and deliver against more than one agreement.

We would also question whether the original policy intent was that a single CMU could not hold multiple agreements. For instance, Rule 13.4.1 states that "*a Capacity Committed CMU must demonstrate to the Delivery Body in accordance with Rule 13.4.2*

capacity at a level equal to or greater than its Capacity Obligation or aggregate Capacity Obligations". Although, this rule mentions Capacity Obligation and not Capacity Agreements, when an obligation is traded it appears that these two concepts are interlinked closely if not the same thing. As an example, Rule 9.2.4 says:

"*A Capacity Provider may transfer a Capacity Agreement by:*

(a) *transferring all or part of its Capacity Obligation in respect of a Capacity Committed CMU (the "CMU Transferor") for all or a specified number of calendar days in a Delivery Year to an Acceptable Transferee in respect of another CMU*"

Therefore, if a Capacity Agreement can be transferred in its entirety through the transfer of an entire Capacity Obligation, is it correct to say that the Transferor still has an Agreement?

Question 48: Do you think that the proposed changes to Rules 3.13 and 9.2 will have any unintended consequences? If so, please provide details.

If Rule 9.2 were changed to state that to clarify that Transferors will maintain their Capacity Agreement, even when they trade their obligation down to 0MW, then there is a possibility of conflict or confusion between these different provisions. We note that Regulation 30A already sets out the relationship between Capacity Agreements and Transferred Parts and seems clear about rights and obligations that are transferred as a consequence.

Question 49: Do you agree with the introduction of a new higher price CapEx threshold? If not, please explain why.

Yes. The CapEx required for new build plant has increased significantly in recent years.

Question 50: Do you agree with setting the new higher price CapEx threshold initially at £475/kW? If not, please explain why and suggest what you think a more appropriate threshold might be.

To meet the government objectives to restrict eligibility to new build dispatchable enduring capacity, a CapEx threshold should be be set significantly higher than £475/kW.

In light with our response to the consultation on proposed changes for Prequalification 2026[4], at least the following factors need to be reflected in the new CapEx threshold:

- 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.

In addition, we reiterate our view that DESNZ should undertake some additional analysis of all of these points before setting a new higher price cap.

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[44] Capacity Market: proposed changes for Prequalification 2026 - GOV.UK and Uniper_Brief (see response to Question 9).

Question 51: Do you agree with the proposed penalties for failing to meet the proposed new higher price CapEx threshold?

Yes.

Question 52: Do you agree with this proposed change as a means of providing further assurance that all New Build applications seeking higher prices under the MPCM constitute genuinely new and additional capacity?

No. Government is unclear as to the circumstances in which a false declaration could be made and remain undiscovered and wouldn't lead to a terminated CM agreement under the existing CM rules.

Question 53: Are there any reasons why it might be challenging for New Build CMUs, on sites which have previously been commissioned, to provide the evidence proposed above? If so, how would you propose these to address challenges while retaining robust assurance that MPCM applications are for genuinely new capacity?

There are numerous scenarios for brownfield development of New Build CMUs. It may be redevelopment of a site which has been completely cleared. If this site has been sold on, or decommissioned some time ago, the evidence proposed may not be available. If the site is still in operation, the New Build CMU may be alongside an existing CMU, with a phased swap over of transmission connection from one to the other. Disconnections may be temporary in nature to facilitate this and not meet the requirements for the proposed evidence.

Question 54: Are there any specific challenges for units on sites which were only partially decommissioned previously to provide the evidence proposed above? If so, how would you propose to address these challenges while retaining robust assurance that MPCM applications are for genuinely new capacity?

Yes. A redevelopment of an existing site may retain and re-use some elements of the existing infrastructure, so there may not be a formal certificate of disconnection available in these circumstances. We believe the existing rule requirements, such as the CapEx threshold plus the requirement for ITE reports and directors' declarations, are sufficiently robust to demonstrate that the capacity is genuine new capacity.

Question 55: Do you consider there to be any other gaps or ambiguities in the definition of New Build that should be addressed?

The existing rules adequately define New Build. If the government or the delivery body are aware of examples where capacity providers have claimed to be new build when they are not, then the existing rules should be enforced and the relevant CMUs subject to Termination with the associated Termination Fees.

Question 56: Do you anticipate any challenges with the new requirement to submit additional evidence - when requested by the Delivery Body - confirming that Total Project Spend meets the agreed CapEx thresholds?

No.

Question 57: Are there any particular changes to the ITE process that should be considered for future auction rounds?

In the existing process the capacity provider employs and pays for the services of the ITE, but there is no accreditation for ITEs. This could lead to inconsistent outcomes

between ITEs and the possibility of parties choosing ITEs that are more likely to provide favourable outcomes. There are a number of alternative approaches, all of which would be an improvement on the current position:

- Government could maintain a list of approved ITEs and the capacity provider could only employ an ITE from this list.
- Government could maintain a list of approved ITEs and nominate the ITE that the capacity provider must use.
- Government or the delivery body could appoint and pay for the ITE to report on the capacity provider's project.