Electricity Storage Network

Consultation response

Capacity Market proposal regarding locational changes

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Electricity Storage Network

The **Electricity Storage Network (ESN)** is **the industry group and voice for grid-scale electricity storage in GB**. The ESN has 100 members who have a mission to promote the use of energy storage and flexibility to support the net-zero transition. The ESN membership includes clean energy developers, owners, investors, optimisers, and academic institutions. This includes representation from publicly listed specialist funds focusing on storage and independent developers that have raised several billion pounds to invest in this new technology.

This response is based on input from our members involved in developing grid-scale electricity storage projects in GB, as well as feedback received via our Markets and Revenues working group.

About Regen

Regen manages the ESN. Regen provides independent, evidence-led insight and advice supporting our mission to transform the UK's energy system for a net zero future. We focus on analysing the systemic challenges of decarbonising power, heat and transport. We know that a transformation of this scale will require engaging the whole of society in a just transition.

Regen is also a membership organisation, managing the Regen members' network and the Electricity Storage Network (ESN). We have over 200 members who share our mission, including clean energy developers, businesses, local authorities, community energy groups, academic institutions, and research organisations.

Continuing engagement

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Background

Regen and the Electricity Storage Network have responded to the following recent consultations/calls for input on the Capacity Market (CM):

- Electricity Storage Network response to ESO de-rating methodology consultation – May 2024
- Electricity Storage Network response to second REMA consultation – May 2024
- Regen & ESN response to Ofgem 10-year review of the Capacity Market – February 2024
- Regen & ESN response to capacity market consultation (phase 2) – December 2023
- Regen & ESN response to capacity market consultation (phase 1) – March 2023

This provides background information on our wider thinking regarding the CM and the reform process. The Capacity Market remains a crucial revenue opportunity for battery storage and other LDES technologies. Short duration storage doesn't benefit from any other revenue support, and research presented by Modo Energy shows that storage has accounted for only £200m of roughly £8bn spent on Capacity Market support to date[1]. The CM remains critical to deploying storage assets, and changes which affect the build-out of the pipeline may undermine progress towards Clean Power 2030 targets.

Responses to questions

Question 1: Do you agree with the proposal to remove the Change of Address provisions in the Capacity Market?

No.

Question 2: Please provide as much detail as possible to substantiate your answer to the above question.

Some ESN members have raised significant concerns about the proposed changes to the Change of Location provision. This messaging was most of the feedback we received. Other members confirmed that they did not use this provision and only enter CM agreements when we have a high confidence in their ability to deliver at that site.

[1] Modo Energy, analysis of subsidies for energy storage, 2025

Some of the sector currently uses this mechanism to manage delivery risk across their portfolios, for example, by transferring capacity between pipeline sites, including across separate special purpose vehicles. Allowing CMUs to change location helps developers manage construction delays without risking termination fees. This flexibility gives them more confidence to enter T-4 auctions. With shortages of skilled labour, grid connection delays, and supply chain problems all being common, well-planned projects can still be delayed. Delays can put delivery at risk, and location changes offer a practical way for new-build projects to manage that risk, allowing capacity to shift to projects that can deliver.

Regarding the New Build proposal, some of our members have engaged with DESNZ on this issue and propose that Change of Location should continue to be permitted between new-build assets only. Under this approach, a new-build 15-year capacity market unit (CMU) agreement could not be transferred to an existing or refurbished site. This would maintain consistent clearing prices and avoid unnecessary termination fees.

We believe this approach would address DESNZ's objectives, while avoiding additional burdens on storage developers, particularly given the current challenges around grid connections reordering. Removing the option for new-build assets goes too far in response to a recent case in which a CM agreement was transferred from a new-build site to an existing one.

If DESNZ is concerned about issues with location changes, it could implement stronger checks on applications, rather than remove the option entirely. If the option is removed for new-build assets, it could increase the number of terminated new-build CMU agreements, which would not be efficient or cost-effective for consumers. DESNZ should not apply this proposal retrospectively to new-build sites, since some participants will have taken CM agreements on the basis that this option is permitted to manage delivery risk.

Recommendation: DESNZ to retain flexibility for Change of Location between new-build CMUs to support effective risk management across project portfolios.

Recommendation: DESNZ to prevent transfers from new-build to existing or refurbished sites to maintain agreement integrity and avoid termination fees.

Recommendation: DESNZ should not apply this proposal retrospectively to new build sites as some participants will have taken CM agreements on the basis that this option is permitted to mitigate risk.