Call for input

Long Duration Electricity Storage: Call for Input on Draft Special Licence Conditions

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Response deadline:	20 April 2026
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In March 2025, Ofgem and the government published the Technical Decision Document (TDD) for the LDES cap and floor scheme. We are now publishing this call for input, alongside a working draft of the proposed LDES special licence conditions.

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Executive summary

What this call for input is

We are publishing a working draft of the proposed LDES special licence conditions and inviting views to help improve the draft before a statutory consultation expected in Summer 2026. **Section 1** explains the purpose of this call for input, what we are asking for views on, and how to respond.

Why we are doing this now

The LDES cap and floor scheme is designed to support investment in LDES while protecting consumers through a cap on revenues. The floor provides revenue support when market returns are low, and the cap returns excess revenues to consumers when projects perform strongly. As we move from scheme design to delivery, we need a clear and enforceable set of licence conditions because these will be central to developers' investment decisions. This call for input is an early step to test some key policies and drafting points before we consult formally on the full licence package.

Fit with Ofgem's Forward Work Programme and consumer outcomes

Ofgem's 2025 to 2026 Forward Work Programme places LDES under Strategic Priority 2, which includes creating the new regime and making initial project decisions. The draft licence aims to deliver consumer benefits by supporting timely and reliable delivery of LDES assets and by putting in place controls that help ensure consumer support is proportionate, auditable and protected from avoidable risk.

What we are asking for views on

We welcome feedback on any part of the draft licence. However, our focus is the defined set of issues in **Section 3 (Key policy decisions)** and **Section 4 (Developing policy areas and evidence needed)**, where stakeholder input is most valuable now to help us finalise policy detail and improve drafting before statutory consultation in Summer 2026.

Next steps and how to respond

The call for input opens on **16 March 2026** and closes on **20 April 2026, 23:59.** Please submit all responses via the Microsoft Forms response form: [Call for Input on Draft Licence Framework for Long Duration Electricity Storage (LDES)](). Please read and follow the instructions in the form.

If you have questions about the material in this call for input, you can send clarification questions to [LDES@ofgem.gov.uk]() up to **30 March 2026**. We will try to respond as quickly as we can, but we may not be able to answer every question. Where we provide clarifications, we will publish them so that all interested parties have access to the same information.

1. Introduction

This call for input invites views on a working draft of the proposed LDES special licence conditions, which would be implemented through modifications to the standard generation licence. You may comment on any part of the draft, but we are particularly interested in the issues set out in Section 3 and Section 4. Feedback from this call for input will be used to improve the statutory consultation, expected in Summer 2026.

Purpose of this call for input

The purpose of this call for input is to help us improve the working draft of the proposed LDES special licence conditions. We want to know if the draft is clear, workable and proportionate, and whether it would be practical for different LDES technologies and delivery models.

Where to focus your feedback

You can comment on any part of the draft licence. However, we are particularly interested in the issues in **Sections 3 and 4**:

- **Section 3** explains key policy choices in the draft licence. For each topic, it sets out what the draft does and asks questions to help you tell us what is clear or unclear, workable or unworkable, and where the drafting could lead to unintended outcomes.
- **Section 4** focuses on areas needing further evidence or development. It asks what would work in practice, what evidence should guide our approach, and what policy is reasonable to place in the licence, in Regulatory Instructions and Guidance (RIGs) or in future decisions.

How to use this document

If you only read one part, start with the questions in **Sections 3 and 4** and the list of questions in **Annex 1**.

Section 2 and Table 2 map the draft licence and show where each special condition and schedule sits. Capitalised terms are defined in the draft. When proposing changes, please reference the relevant section, explain the problem it addresses, provide supporting evidence, and set out how your proposal would work in practice.

Context and related publications

This call for input sits within the wider programme to deliver the LDES cap and floor scheme and the licence conditions needed to make it work in practice. It follows the government's consultation on LDES (January 2024) and the government response (October 2024), which confirmed the introduction of a cap and floor scheme.

Ofgem then published an initial call for input on our role, plan and timeline (December 2024), followed by the joint Ofgem and DESNZ Technical Decision Document (March 2025), and Ofgem's application guidance for Window 1 (April 2025). These documents set out the scheme design, who can apply and the steps to award the cap and floor regime.

Alongside this, Ofgem consulted on the Project Assessment approach (including the multi-criteria assessment (MCA) and the Financial Framework for Window 1). We published decisions on both in September 2025. These provide important context for how projects will be assessed and how key financial parameters are set.

Related publication (links):

- Government consultation (January 2024)
- Government response (October 2024)
- Ofgem call for input (December 2024)
- Forward Work Programme 2025/26 (March 2025)
- Technical Decision Document (March 2025)
- LDES Window 1 Application guidance (April 2025)
- LDES Window 1 Eligibility assessment page and outcome (September 2025)
- Project Assessment consultation page and outcome (September 2025)
- Financial Framework consultation page and outcome (September 2025)

Call for input stages

Stage 1 Call for input open: **16 March 2026**

Stage 2 Call for input closes. Deadline for responses: **20 April 2026, 23:59**

Stage 3 Review responses and publication of statutory consultation: **Summer 2026**.

Stage 4 Decision on LDES Special Licence Conditions published: **Summer 2026**.

How to respond

We want to hear from anyone interested in this call for input. The call for input opens on 16 March 2026 and closes on **20 April 2026 at 23:59**. All responses must be submitted via the Microsoft Forms response form: Call for Input on Draft Licence Framework for Long Duration Electricity Storage (LDES). Please complete the form by the closing date. Detailed instructions are provided within the form and should be followed carefully.

Please ensure that all responses are submitted exclusively through this form. Respondents are encouraged to familiarise themselves with the form at an early stage to allow sufficient time to complete and submit their responses smoothly.

The form has been issued to ensure that respondents follow the required response format and to enable responses to be consolidated in the most efficient manner.

Towards the end of the Microsoft Form, respondents will have the option to submit supporting documents, following the instructions provided. Supporting documents are expected to supplement, not replace, responses received through the form.

Your response, data, and confidentiality

You can ask us to keep your response, or parts of your response, confidential. We will respect this, subject to obligations to disclose information. For example, under the Freedom of Information Act 2000, the Environmental Information Regulations 2004, statutory directions, court orders, government regulations, or where you give us explicit permission to disclose. If you do want us to keep your response confidential, please clearly mark this on your response and explain why.

If you wish us to keep part of your response confidential, please clearly mark those parts of your response that you do wish to be kept confidential and those that you do not wish to be kept confidential. Please put the confidential material in a separate appendix to your response. If necessary, we will contact you to discuss which parts of the information in your response should be kept confidential and which can be published. We might ask for reasons why.

If the information you give in your response contains personal data under the General Data Protection Regulation (Regulation (EU) 2016/679) as retained in domestic law following the United Kingdom's withdrawal from the European Union ("UK GDPR"), the Gas and Electricity Markets Authority will be the data controller for the purposes of GDPR. Ofgem uses the information in responses in performing its statutory functions and in accordance with section 105 of the Utilities Act 2000. Please refer to our Privacy Notice on consultations, see Annex 2.

If you wish to respond confidentially, we will keep your response confidential, but we will publish the number, but not the names, of confidential responses we receive. We will not link responses to respondents if we publish a summary of responses, and we will evaluate each response on its own merits without undermining your right to confidentiality.

How to track the progress of a call for input

1. Click on this link
2. Then enter required information, including email address and click ‘Confirm your subscription’.
3. You will receive an email to notify you when it has changed status.

2. Licence overview

This section sets out the structure of the draft licence package, how to use it with the draft licence text, and where different types of detail sit. It also notes that the drafting builds on the interconnector cap and floor licence and will sit alongside the generation licence for cap and floor LDES projects.

Where the "extra detail" sits, and how to use this document

The TDD set out the scheme design and flagged areas where further detail would follow through licence drafting, guidance and later decisions. The draft special licence conditions are intended to provide that operational detail in an enforceable form. They build on the structure and policy approach used in the interconnector cap and floor licence, and for LDES projects they are intended to operate alongside the existing generation licence framework. This section signposts how these elements fit together and where different levels of detail will ultimately sit.

Section 1 explains the purpose of this call for input and where we are most interested in hearing views. It also explains how to navigate the draft licence package and where to find different types of detail.

Most of the detail sits in the licence text, in the special conditions and schedules listed in **Table 2**. Where something is not set out in the licence text, it is covered elsewhere in the overall framework, for example:

- published decisions, for example on the Project Assessment approach and the Financial Framework
- RIGs, which set out reporting templates, evidence requirements and submission formats
- future decision documents linked to the award process and monitoring arrangements
- the statutory consultation and outcome expected in summer 2026 in line with Cap and Floor awards.

To use the documents together:

- use **Table 2** to find the relevant special condition or schedule.
- use **Sections 3 and 4** for the questions and policy topics where we want input.
- use **How to respond** for submission instructions.

How the licence fits with other documents

Table 1: How the LDES documents fit together

Document	Role in the framework
Licence	Main rulebook and legally enforceable obligations
Facility Specific Parameters Register (FSPR)	Holds project specific inputs without changing the licence itself. The special licence conditions explain how the FSPR can be updated
Cap and Floor Financial Models and handbook	Perform calculations for levels, adjustments and settlement
Regulatory Instructions and Guidance (RIGs)	Set reporting formats, evidence and submission dates
Industry codes and generation licence standard conditions	Apply to LDES projects as licensed generators
TDD and published decisions	Provide LDES policy but do not replace the licence

Documents published alongside this call for input

- Draft licence text (clean)

Special conditions and schedules

LDES projects awarded a cap and floor regime will hold an electricity generation licence. The cap and floor rules are implemented through special licence conditions and schedules that sit alongside the standard conditions. The special conditions set out the main operational rules, and the schedules provide supporting detail where helpful, for example on testing and co-location. Some project-specific items, such as certain dates and values, are recorded outside the licence in a separate register, as explained in the draft licence.

Table 2 provides a map of the licence to help you navigate the draft text. The draft licence text contains the full detail. **When responding, please tell us what text you are commenting on (cite the relevant special condition or schedule), your suggested wording, and why it is clearer or more workable in practice.**

Table 2: Special conditions and schedules in the draft licence (overview)

	What the licence does	Policy aim	Suggested focus
SC1 Definitions and interpretation	Defines key terms and how the special conditions should be read,	Reduce ambiguity and make the regime consistent	Missing, unclear or inconsistent definitions, and any term that could

	What the licence does	Policy aim	Suggested focus
	including how definitions interact across the licence		be read in more than one way
SC2 Application of these special conditions	Explains when the special conditions start, how long they apply, and what continues after the regime ends for close-out and settlement	Make clear "what applies when", including post-regime clean-up	Any uncertainty about start/end points, post-regime obligations, and what continues after regime end
SC3 Cap and floor levels	Sets how cap and floor levels are calculated and updated over time, including indexation and any allowed adjustments	Predictable and transparent cap and floor levels	Whether the calculation and update process is clear, and whether the inputs/updates are well-controlled
SC4 Assessed Revenue and revenue netting	Defines the revenue measure used for cap and floor comparisons, including what is included in Gross Revenue and what can be deducted (netted off) to reach Assessed Revenue	A revenue measure that is auditable and hard to game	Risks of double counting, gaps, unclear boundaries, and evidence requirements that are hard to meet
SC5 Cap and floor assessment	Compares Assessed Revenue to the cap and floor to determine the annual outcome, and applies any eligibility rules linked to performance (for example floor eligibility conditions)	Make payments fair, consistent outcomes, linked to performance. This is assessment and not the end of regime settlement	Whether the assessment steps are clear, and whether the eligibility rules operate as intended
SC6 Adjustments to licensee revenue	Sets how payments and repayments are calculated and settled (including timing, netting, true-ups and end-of-regime reconciliation)	Workable settlement processes, with intended neutrality where applicable	Practicality of timelines, dispute handling, reconciliation steps, and whether the mechanics can be operated consistently
SC7 Post-construction adjustments	Sets the process for reviewing construction outturn costs after commissioning and adjusting future cap and floor parameters where appropriate	Protect consumers from inefficient overspends, while keeping efficient projects financeable	Evidence burden, treatment of costs above benchmarks, transparency of the review process, and incentive effects
SC8 Opex reassessment	Provides a periodic, forward-looking process to reassess allowed fixed operating costs and update future cap and floor parameters	Keep long-term opex assumptions efficient and up to date over the regime life, without reopening past assessments or undermining investment certainty	Whether the cadence, triggers and evidence requirements are proportionate and clear, and how outputs feed into future parameters

	What the licence does	Policy aim	Suggested focus
SC9 Delay, Force Majeure and Cost Overruns beyond key cost (P50/P90) benchmarks	Sets the framework for delivery delays, Force Majeure relief, and how certain construction cost outcomes affect cap and floor parameters	Allocate delivery risk appropriately and preserve incentives for timely, cost-disciplined delivery	Clarity of notice requirements, causation tests, mitigation expectations, and proportionality of consequences
SC10 non-controllable operational costs	Defines which operational costs may be treated as non-controllable, and the process for notifying, evidencing, determining and reconciling them	Protect licensees from genuine external cost shocks, without enabling re-labelling or gaming	Scope of eligible items, evidence standards, process steps, and whether the approach remains workable as markets evolve
SC11 Within Period Adjustment	Allows limited Net Present Value (NPV) corrections within a multi-year Assessment Period where outcomes materially diverge from the cap or floor position	Targeted corrections without reopening the regime or undermining the “locked” structure	Thresholds, proportionality, restriction to the relevant assessment cadence, and how adjustments are settled and later reconciled
SC12 Technical capability, availability and floor eligibility	Sets the technical capability and availability requirements for the LDES facility and explains how availability is measured and how it affects eligibility for floor support	Ensure consumers only provide floor support to assets that are technically capable, reliably available, and operated in line with good industry practice	Practicality across technologies, data requirements, treatment of outages and exceptions, and auditability
SC13 Cap and floor financial model governance	Sets governance for the financial models used under the regime, including version control, change control and error handling	Maintain trust in calculations and prevent model drift	Predictability of change control, handling of errors, transparency of versioning, and auditability
SC14 Information, reporting and audit	Sets reporting and audit requirements and Ofgem’s ability to request evidence and verification	Make compliance auditable and reduce disputes	Proportionality, practicality, and what should sit in RIGs rather than in licence text
SC15 Regulatory accounts	Requires regulatory accounts and sets expectations for preparation and assurance	Improve transparency and consistent reporting	Scope, assurance expectations, and interaction with statutory accounts
SC16 Financial safeguards	Sets safeguards around handling non-public regulatory information and related controls to protect market integrity	Prevent information asymmetry and market distortion	Whether restrictions are clear, enforceable and proportionate, and

	What the licence does	Policy aim	Suggested focus
			whether they overlap with existing obligations
SC17 Financial resilience	Sets financial resilience requirements (including distribution constraints and related notifications)	Protect consumers by reducing risks of value extraction that could undermine delivery or operation	Triggers, workability of distribution limits, and whether requirements are proportionate across financing structures
SC18 Revenue maximisation	Requires the licensee to operate to maximise efficient revenue opportunities, subject to technical, safety and compliance constraints	Reduce avoidable floor support by discouraging inefficient under- performance	Clarity of the duty, evidence standards, and risk of unintended restriction of legitimate optimisation
SC19 UK REMIT	Requires compliance with REMIT conduct and transparency rules as part of the scheme	Reinforce market integrity	Whether it is clear how this interacts with other conduct duties and reporting requirements
SC20 RIGs	Provides the framework for issuing RIGs (templates, evidence requirements, and deadlines)	Put "how to" detail in guidance without rewriting the licence	Whether the boundary between licence and RIGs is clear, and whether evidence expectations are proportionate
SC21 Structured transactions	Controls structured transactions and similar arrangements that could distort revenue or costs, including reporting and Ofgem oversight	Prevent artificial structuring or value shifting that could expose consumers to inappropriate risk	Definition scope, reporting practicality, and whether controls target the right risks without catching normal practice
SC22 Procurement	Sets procurement standards and evidence expectations for relevant services and costs (including, where applicable, optimiser procurement)	Protect consumers by ensuring value for money and preventing inefficient or self-dealing costs	Proportionality of procurement requirements and evidence, especially for different project sizes and models
SC23 Decommission ing	Sets decommissioning obligations and any funding/governance arrangements	Ensure end-of-life obligations are planned and funded, protecting consumers and the system	Clarity of plan requirements, governance, and interaction with post-regime arrangements
SC24 Status of the FSPR	Sets the role of the Facility Specific Parameters Register (FSPR) and how project-specific parameters are recorded and updated	A single authoritative source of project-specific values, updated in a controlled way	Transparency, update triggers, and whether direction processes provide enough certainty without reopening the licence

	What the licence does	Policy aim	Suggested focus
SC25 Obligation to achieve full commissioning date	Sets obligations and consequences linked to commissioning milestones	Support timely delivery and protect consumers from non-delivery	Milestone clarity, notice obligations, and proportionality of consequences
SC26 Disposals	Controls disposals and changes in operational control of relevant assets	Prevent asset stripping or value leakage that could weaken consumer protections	Consent triggers, definition of operational control, and proportionality
Schedule A ACOD floor level schedule	Where used, sets how the project-finance floor is determined at Financial Close using actual cost of debt (ACOD) and related governance	Enable project finance where appropriate while protecting consumers	Governance, evidence, timing, and whether consumer protections are proportionate and workable
Schedule B Performance test protocol	Defines how the asset proves it can do what it promised, at commissioning and throughout the regime	Ensure assets deliver the capability consumers are supporting	Proportionality of testing, clarity of timelines, and whether evidence requirements are workable
Schedule C Co-location and behind the meter generation	Sets metering, attribution and valuation rules for co-located and behind the meter arrangements, including treatment of transfers and losses where relevant	Prevent double counting and ensure outcomes are auditable	Metering requirements, attribution methodology, valuation approach, losses treatment, and assurance requirements
Facility Specific Parameters Register (FSPR)	Records project-specific values used by the licence and models (set by direction within the licence's governance)	Keep project-specific inputs controlled and transparent	Which values should sit in the FSPR, update processes, and transparency for stakeholders

3. Key policy decisions

This section highlights the main policy choices in the draft licence where feedback is most useful. For each topic, we explain: 1) What the draft licence proposes, 2) why it matters, and 3) the questions we want you to answer. Please focus on what is clear or unclear, workable or unworkable, difficult to evidence, or could lead to unintended outcomes. Where you propose changes, explain the problem you are addressing, how your proposal would protect consumers while remaining practical to operate, and provide supporting evidence.

Overview of key proposals

In this section we summarise our key proposals in the draft licence at a high level. Where we describe indicative parameter values or possible approaches, these are proposals for consultation.

3.1 Administrative vs ACOD Approach

Q1. (a) Is the distinction between the administrative floor and the ACOD (Actual Cost of Debt) floor clear and workable in practice? (b) Are the repayment and priority rules clear and workable where the ACOD approach gives higher support? What would you change, why, and what evidence supports this?

What the draft licence proposes

The draft licence provides two routes for setting the floor. One uses standard parameters (administrative). The other reflects actual debt terms at Financial Close under an Ofgem-overseen process (ACOD), which is intended to enable a project finance approach. The draft includes repayment and priority rules where the ACOD route implies more support than the administrative route.

Other options we considered and our reasoning

We considered having a single floor-setting approach for all projects, but that would be less flexible for different financing models. We also considered allowing ACOD outcomes without any repayment or priority rules, but that would increase the risk that consumers fund a higher floor without a clear route to recover that extra support if revenues improve.

Policy aim

Allow different financing models while keeping consumer risk controlled and outcomes auditable.

3.2 Market Related Costs and Marginal Cycling Costs

Q2. (a) Is the boundary between Market Related Costs, Marginal Cycling Costs, other costs and Excluded Costs clear? (b) Are the proposed evidence requirements proportionate and workable? If not, what would you change, why, and what evidence supports this?

What the draft licence proposes

The draft licence explains which genuinely variable, market-driven costs can be deducted when calculating Assessed Revenue under the cap and floor, such as energy purchases to charge, market fees and optimiser costs. It excludes fixed operating costs, wear and tear and major equipment replacement from recovery through cycling charges, as these are dealt with elsewhere in the regime.

To make this work in practice, the licence requires cycling costs to be calculated using set methods, based on measured levels of use and supported by evidence. This is intended to prevent fixed or long-term costs being presented as variable market costs, and to ensure only costs that genuinely rise with market activity reduce Assessed Revenue. It also protects consumers from paying for costs that are not Marginal Cycling Costs.

Other options we considered and our reasoning

We considered a broader approach that would allow more types of operating costs to be netted off as "market related", but that would make the boundary harder to police and could increase the risk of double counting or re-labelling fixed costs as variable costs. We also considered an approach with a shorter list of admissible costs, but that could understate genuine variable costs and distort the Assessed Revenue calculation.

Policy aim

Make sure the Assessed Revenue calculation is fair and auditable, and that costs are not hidden or counted twice, to protect consumers who underwrite the floor.

3.3 Optimiser Fees cap and related-party controls

Q3. (a) Is the drafting clear on what must be reported for optimiser arrangements, including where trading is "in-house"? (b) Are the controls and evidence expectations proportionate across different optimisation models? If not, what would you change, why, and what evidence supports this?

What the draft licence proposes

The draft licence treats optimiser arrangements as part of cap and floor calculations. It requires revenues earned through optimisation to be reported on a gross basis and records the optimiser's pay explicitly as a market-related cost so that Ofgem can see both revenues and fees.

To protect consumers, the licence puts limits and checks on what can be deducted as Optimiser Fees. Fees must reflect what is actually paid or retained by the optimiser across all fee types, and the amount that can be deducted is capped so it cannot grow out of proportion to the revenues being optimised.

Where the optimiser is a related party within the same group, extra safeguards apply. In those cases, the claimed fees are reduced by a haircut before the cap is applied, to reduce the risk of value being shifted out of the regulated asset through internal fee structures. The draft also requires transparency and evidence. If information is missing or cannot be verified, Ofgem can disallow fees or replace them with notional values.

Other options we considered and our reasoning

We considered relying on general reporting only, but that would make it harder to manage risks where fee structures could shift value away from consumers. We also considered hard-coding fee parameters in the licence, but that would reduce flexibility to respond to evidence and evolving market practice.

Policy aim

Allow common commercial models while preventing fee structures from weakening consumer protection or confidence in the regime.

3.4 Gross revenue

Q4. a) Is the definition of Gross Revenue clear, including where third parties (including optimisers) receive amounts or settle on a net basis? b) Does the approach avoid double counting and gaps, including for co-located and behind-the-meter set-ups? If not, what would you change, why, and what evidence supports this?

What the draft licence proposes

The draft licence defines Gross Revenue and related reporting requirements so that revenues used in the cap and floor assessment are identified and calculated on a clear and consistent basis. It requires all revenues attributable to the regulated asset to be reported in full and before the deduction of any costs, including revenues earned through optimisation, tolling, revenue-sharing or similar arrangements, whether received directly by the licensee or indirectly through third parties.

Where revenues are settled on a net basis, for example where an intermediary deducts fees before settlement, the draft licence requires gross-up reporting, with associated fees or charges reported separately under the relevant cost categories. This supports auditability and establishes a consistent revenue baseline for cap and floor comparisons, reducing the risk of double counting, omissions or inconsistent treatment across different commercial and settlement structures, including co-located and behind-the-meter arrangements.

Other options we considered and our reasoning

We considered allowing net reporting (for example, where an intermediary nets off fees), but that would reduce transparency and make it harder to check that revenues and costs are reported once and in the right place. We also considered more prescriptive rules for every commercial model, but that would add complexity and reduce flexibility as market arrangements evolve.

Policy aim

To set a clear and consistent revenue baseline for cap and floor comparisons, and to make sure all revenues from the asset are reported in full and can be audited.

3.5 Post construction adjustments: Cost Overruns

Q5. Is the approach to assessing outturn costs clear and workable, including evidence requirements? (b) Does the draft strike the right balance between delivery incentives and financeability? If not, what would you change and why?

What the draft licence proposes

The draft licence sets a structured process for reviewing construction costs after commissioning and for how cost outcomes feed into cap and floor parameters going forward. It provides for a formal assessment once sufficient cost certainty has been reached, comparing outturn and forecast costs with the assumptions underpinning the original cap and floor determination. The review is grounded in an assessment of whether costs have been economic, efficient and effective, rather than an automatic pass-through of outturn expenditure.

The draft also sets a framework for handling overruns, including thresholds, risk-sharing and exclusions for inefficient expenditure, intended to balance incentives for cost control with appropriate protection for consumers and investors.

Other options we considered and our reasoning

We considered setting a firm P90 cap with reopeners for Force Majeure only. This would give clear upfront incentives to plan with strong contingencies and prevent extra costs being passed on to consumers. We also considered allowing costs above P90 in specific, well-evidenced cases, but concluded this would create uncertainty about admissibility, how we would judge reasonableness, and whether such costs would be bankable.

A firm cap protects consumers while giving investors confidence that economic, efficient and effective costs up to P90 will be considered when calibrating the cap and floor levels. Licensees take the risk for events they claim to have covered with contingency, while being protected by a Force Majeure reopener for truly exceptional circumstances.

Policy aim

The regime strikes a balance between protecting consumers from inefficient Cost Overruns and enabling well-run projects to raise finance and be delivered efficiently.

How the draft is intended to work (summary)

The approach uses P50 and P90 cost estimates as benchmarks at regime award. Costs up to P50 form the initial reference point for assessment but are not automatically accepted and must still be shown to be efficient, economic and effective. Costs between P50 and P90 may be allowed under the framework, excluding any items that are not efficient, economic or effective, or that are otherwise disallowed.

Costs above P90 are proposed to be treated as inefficient by default and are not allowed, even where the project can show they were efficient or unavoidable.

Delay is treated separately from cost. Missing the Target Delivery Date has no immediate financial impact but triggers notification and mitigation obligations and may allow extensions in limited cases. Missing the Backstop Date does not affect cost recovery but activates a Backstop Delay Charge arrangement, which applies only in years where floor support is paid and is tracked for later repayment from surplus revenues.

Where a project is both late and over budget, costs above P90 remain disallowed, while delay consequences for costs between P50 and P90 are addressed solely through the Backstop Delay Charge arrangement. If the Longstop Date is missed, Ofgem may ultimately withdraw the project from the regime.

3.6 Availability regime

Q6 a) Clarity, practicality and proportionality: Is the availability measure clear and workable across LDES technologies, and are the proposed thresholds, reporting and evidence requirements proportionate? If not, what would you change and why, including likely consumer impacts, with supporting evidence (for example RAM studies and operational datasets).

b) The new Balancing Mechanism Parameters for Limited Duration Assets (GC0166) and parameter mapping: After GC0166, should the Equivalent Availability Calculation use the Balancing Mechanism technical parameters each Settlement Period, with any MEL/MIL mapping set out in the RIGs and recorded in the FSPR? If not, what approach should replace this, and why, including any interaction with outage declarations and Exceptional Events?

c) Reference Capacity and directional asymmetry: For the Equivalent Availability Calculation, should Reference Capacity be the lower of proven maximum import and export capability at the Boundary Point? If yes, does this manage directional asymmetry proportionately, and if no, what alternative should apply? Please explain how the proven maxima should be evidenced (for example commissioning and periodic test results).

d) Reference Capacity varying with State of Charge: Should any technologies be allowed to use a reference capacity that varies with State of Charge (for example closed-loop PSH)? If yes, why is this in consumers' interests, and how could it be implemented in a clear and auditable way?

e) Energy capability degradation and floor eligibility: Are the Minimum Duration obligation and Schedule B periodic performance testing (including breach and remedial provisions) sufficient and proportionate to manage energy capability degradation? If not, should endurance test outcomes affect floor eligibility, and if so, how?

f) Exceptional Events and outage coding: Are the definitions and processes for Exceptional Events, outage categorisation and boundary metering issues clear and robust enough to ensure consistent availability calculations across technologies? If not, what would you change, and what safeguards would prevent misclassification or under-reporting?

What the draft licence proposes

The draft licence sets an annual availability test to determine whether a project is eligible to receive floor support each year. Availability is assessed using the Equivalent Availability Calculation (EAC) and compared against a project-specific Minimum Availability Target (MAT) set by Ofgem and recorded in the Facility-Specific Parameters Register (FSPR). We are minded to calibrate MAT by technology, with indicative levels of 90% for BESS and 95% for PSH, LAES and CAES. ARUP's benchmarking indicates that well-designed, well-maintained projects should confidently be able to meet these levels.

Data submitted by the projects for the Project Assessment confirmed that these performance levels are already the predicted norm. Under the standard methodology, availability is calculated using Maximum Export Level (MEL) and Minimum Import Level (MIL) data submitted to the system operator (NESO). MEL and MIL are used to determine the capacity that is technically available in each settlement period, subject to the facility's proven Reference Capacity. This approach reflects established operational data flows and provides a consistent, system-wide basis for measuring availability.

The licence also allows an alternative availability methodology (for example SCADA-based) where MEL and MIL are not appropriate or where Ofgem has approved an alternative approach. In such cases, availability may be calculated using site telemetry and SCADA data, subject to defined rules on data quality, evidence, auditability and consistency with Good Industry Practice. This alternative is not available by default. It applies only where expressly permitted and recorded in the FSPR.

Failure to meet the MAT each year results in the floor being ineligible for that year. Availability outcomes do not affect cap exposure. For projects relying on the floor, the availability framework ensures that any potential consumer support is conditional on the delivery of sustained, technically available capacity that the system can access at the Boundary Point.

The selected availability framework has a few important strengths. It relies on an objective, high granularity metric calculated on a settlement period basis, providing a time weighted view of availability rather than a binary available/unavailable test. By focusing on power capability at the grid boundary, it measures what the system can actually access, rather than internal equipment ratings. The use of existing MEL and MIL declarations aligns the regime with established operational processes and audit trails, reducing the need for bespoke reporting.

The methodology also avoids penalising normal state of energy extremes, treating a unit as available where it remains technically capable of either full import or full export, which is consistent with a system facing definition of flexibility. In addition, the ability to recognise legitimately reserved capacity for contracted services, subject to evidence, helps avoid perverse incentives to withdraw from system services simply to maximise reported availability.

However, we note the metric is primarily a power based measure and does not directly test energy or duration availability. The Minimum Duration obligation and the Schedule B periodic performance testing framework are designed to address this, including breach and remedial provisions.

Other options we considered and our reasoning

We considered putting more technology-specific rules and allowances directly in the licence to tailor requirements to different LDES technologies. We did not adopt this because it would add complexity, increase the risk of inconsistency across projects, and make future updates slower and harder to implement as technologies and system needs evolve.

We also considered setting a default planned maintenance allowance to recognise planned outages explicitly. We did not adopt this as the default because it can blur accountability for outage planning, weaken incentives to schedule and execute maintenance efficiently, and create scope for availability inflation without delivering better performance.

Finally, we considered a lighter-touch approach with fewer evidence requirements to reduce reporting burden. We did not proceed with this because it would lower assurance, make verification harder, and reduce our ability to protect consumers where eligibility for floor support depends on demonstrable performance against clear tests and data.

Policy aim

The policy aim is to ensure floor support is only available to projects that are sufficiently available and delivering the service the regime is intended to support. The annual EAC/MAT test provides a clear minimum standard that can be applied across different LDES technologies. The associated evidence and assurance requirements are intended to be auditable and enforceable, while remaining proportionate and avoiding unnecessary complexity.

3.7 Force Majeure and Exceptional Events

Q7. Are the definitions and process clear enough to apply consistently, and is the evidence burden workable and targeted at the right risks? If not, what would you change, why, and what evidence supports this?

What the draft licence proposes

Force Majeure (FM) is a narrow, evidence-based route for genuinely uncontrollable events. It allows Ofgem to recognise circumstances outside the licensee's reasonable control that materially affect delivery milestones (for example, Target or Backstop dates), and it can also support deemed availability where the facility is unable to import or export due to a qualifying FM event. Relief is conditional on notice, causation and mitigation requirements, and applies only where Ofgem is satisfied that the event meets the licence definition and has been appropriately managed in line with Good Industry Practice.

Exceptional Events provide a separate, discretionary route for addressing availability impacts that do not meet the FM threshold but are nevertheless beyond the licensee's reasonable control. This mechanism is intended to capture rare, abnormal events that materially affect availability outcomes but fall outside the strict FM definition.

Other options we considered and our reasoning

We considered widening FM to cover a broader range of events, including proposals from stakeholders to explicitly include system or network non-performance (for example, issues arising from ongoing connections reform or actions by system/network parties). We decided against this. A broader FM definition risks weakening delivery incentives and transferring risks to consumers that are better handled through targeted mechanisms.

Instead, the draft addresses system or network constraints through specific routes, including deemed availability where import or export is restricted by system operator or network instructions and this is not attributable to the licence holder, and the Exceptional Event route within the availability framework. This approach keeps FM focused on genuinely uncontrollable events that meet the FM threshold, while avoiding hard-coding responses to issues that may change over time, as the regime is intended to be enduring.

Policy aim

Provide a predictable, evidence-based route for genuine uncontrollable events, without weakening delivery incentives or shifting controllable risks to consumers.

3.8 Backstop date and the Backstop Delay Charge regime

Q8. Is the backstop and delay consequence package clear and proportionate, and does it create the right incentives without introducing avoidable financeability risk? If not, what would you change and why?

What the draft licence proposes

The draft links delivery expectations to a Backstop Date recorded in the FSPR. Ofgem may extend the Backstop Date in limited and clearly defined circumstances, including where delay is attributable to Force Majeure.

If a project reaches Full Commissioning after its Backstop Date and subsequently receives Floor Support, the licence applies a Backstop Delay Charge (BDC). The BDC does not reduce Floor Support in the year it arises. Instead, it is added to a cumulative Backstop Delay Repayment Balance, which must be repaid from future surpluses above the Floor Level, and only after other consumer support balances have been cleared. While the balance remains outstanding, distributions are restricted.

The BDC is calibrated to the extent of delay through a Backstop Delay Factor (BDF), determined by Ofgem and recorded in the FSPR. The proposed structure applies a stepped factor based on lateness: 20% where commissioning occurs up to one year late, rising in 20 percentage-point increments per additional year of delay, to a maximum of 100% for projects that are five years late or more. Where a project meets its Backstop Date, the BDF is zero and no delay charge applies.

Overall, the mechanism is intended to preserve delivery discipline without creating immediate reductions in floor support that could jeopardise project finance.

Other options we considered and our reasoning

We considered a single cliff-edge consequence at the Backstop Date. We decided against this because it could create sharper financeability risks and reduce predictability for investors, compared to a graded approach. We also considered having no specific delay consequence beyond general milestone management. We did not pursue this because it would weaken incentives for timely delivery and reduce consumer protection where delays are significant.

Policy aim

To preserve delivery discipline without creating immediate reductions in floor support that could jeopardise project finance.

3.9 Revocation events

Q9. Is the proposed revocation approach clear and predictable, and does it provide an appropriate backstop for non-delivery without creating unnecessary investor risk? If not, what would you change and why?

The draft includes a revocation event for the special conditions tied to a Construction Longstop Event. This is triggered if a project has not achieved Full Commissioning by the Longstop Date recorded in the FSPR and that failure is continuing. If the trigger is met, Ofgem may revoke the special conditions (in whole or in part) where it considers revocation necessary and proportionate in the interests of consumers. Revocation applies to the special conditions and does not revoke the underlying generation licence. The draft includes due process, including notice and an opportunity for written representations, and provides for reconciliation of amounts accrued under the regime up to the revocation date.

Other options we considered and our reasoning

We considered adding additional revocation triggers, such as revocation linked to persistent under-performance against the Minimum Availability Target (MAT) or serious finance-related events. We did not take those forwards. Instead, the draft handles performance and finance risks through targeted mechanisms within the regime, for example floor eligibility gating via MAT, and Financial Safeguards such as distribution restrictions and repayment priorities, rather than using revocation as a routine compliance tool.

Keeping revocation narrowly focused on Construction Longstop is intended to make it a last-resort response to non-delivery, while avoiding wider discretionary revocation risks that could increase financing uncertainty.

Policy aim

Provide a clear, objective end-point for non-delivery that protects consumers and scheme credibility, while keeping the regime investable by addressing availability and finance risks through purpose-built mechanisms, not revocation.

3.10 Post regime treatment

Q10. Are the post-regime arrangements clear and predictable, including what continues after the regime ends? If not, what would you change and why?

What the draft licence proposes

The cap and floor regime applies for a defined Regime Duration. At the end of that period, the annual cap and floor calculations cease and the Relevant LDES Facility reverts to operating on a merchant basis. The Special Conditions continue to apply only for a limited Post-Regime Duration Period, for the sole purpose of completing reconciliation, true-up and settlement processes necessary to close out the regime on a Net Present Value neutral basis (including, where applicable, rolling outstanding balances into a Final Regime Adjustment).

They will continue to apply only to the extent necessary to identify, calculate, track, reconcile and recover any non-zero balances determined under the licence. Accordingly, the related reporting, repayment, settlement and distribution-restriction provisions will remain in force until all such balances have been reduced to zero in accordance with the licence.

The draft makes clear that the Post-Regime Duration Period is concerned with settlement mechanics only. It does not extend the economic support of the regime, does not manage or guarantee post-regime revenues, and does not provide for the refinancing, restructuring or extension of project debt once the Regime Duration has ended.

Finally, the draft links post-regime expectations to decommissioning arrangements. The licence requires the Decommissioning Plan to address expected operation beyond the Regime Duration, including anticipated revenues and the allocation of costs between the Regime Duration and any Post-Regime Duration Period, ensuring consistency between regime settlement, ongoing operation and end-of-life planning.

Other options we considered and our reasoning

We considered more far-reaching post-regime clawback approaches. We decided against open-ended mechanisms because they would create long-term uncertainty and could undermine the clarity that the regime ends and the asset becomes genuinely merchant. Instead, the approach is time-bound: any post-regime consumer protection, if used at all, would be limited in duration and focused on recovering support actually paid during the regime, rather than sharing merchant cashflows indefinitely.

Policy aim

Provide a clean, predictable handover to merchant operation at the end of the regime, while ensuring consumers are fully squared up through time-bound, NPV-neutral final settlements, and avoiding any open-ended clawback that would recreate a shadow cap-and-floor after the regime ends.

3.11 Financial resilience

Q11. Does the proposed financial-resilience package strike the right balance between consumer protection and bankability? If not, what would you change and why?

What the draft licence proposes

The draft introduces a Gearing Cap with monitoring and distribution controls. Gearing is defined as debt ÷ (debt + equity), calculated using the methodology recorded in the

FSPR. The default Gearing Cap is 0.8 (80%), though Ofgem may direct a different project-specific cap and record it in the FSPR.

Where gearing is expected to exceed, or has exceeded, the cap, the licensee must notify Ofgem within five working days. While a breach is being addressed, distributions are restricted unless Ofgem provides prior written consent. The draft also requires a director-certified financing register setting out key financing instruments and features that could affect gearing or distributions.

To enhance transparency around capital structure, the draft licence also requires the maintenance of a director-certified Financing Register. This register must list each financing instrument, including its principal amount and any undrawn commitments, maturity, ranking and security, its classification as Senior Debt, Shareholder Debt or Equity, and any rights or features that could materially affect gearing or distributions.

For projects applying the ACOD approach, the draft includes a targeted equity lock-up where an ACOD differential balance arises, restricting equity distributions until the balance is cleared in accordance with the draft's repayment mechanics.

Other options we considered and our reasoning

We considered removing the Gearing Cap altogether or setting it at a higher level. We decided to keep the 80% cap because removing it could weaken financial resilience, and raising it could reduce the equity in a project and make some lenders less willing to provide finance. This could reduce investment appetite or delay delivery, which would not be in consumers' interests.

We also considered relying on general monitoring only, without linking distribution restrictions to either gearing or the ACOD Differential. We did not take that approach because our aim is to ensure that restoring financial resilience, and clearing any consumer-facing balances, comes before equity being taken out of the business.

Policy aim

To support financial resilience and protect consumers by setting out clear, proportionate rules and reporting requirements, and ensuring these are applied in a balanced and transparent way.

3.12 Structured transactions and revenue maximisation

Q12. Are the restrictions on structured transactions and the revenue-maximisation duties clear and workable, and are the monitoring, evidence and enforcement tools proportionate? If not, what would you change, why, and what evidence supports this?

What the draft licence proposes

The draft includes two linked protections intended to ensure cap and floor outcomes reflect genuine market performance.

Structured transactions (Special Condition 21): The draft limits transactions that are designed, or are reasonably capable, of shifting value across years or between related parties in ways that could distort the cap-and-floor. Licence holders must keep a Structured Transactions Register that records key details such as counterparties, the pricing structure and how it differs from normal market terms, and the expected impact on revenues and costs. Ofgem can review these transactions and, if needed, treat related items as Excluded Costs or replace reported revenues or costs with notional arm's-length values and timing.

Revenue maximisation (Special Condition 18): The draft places a duty on licence holders to use reasonable endeavours to maximise External Revenue from the facility, in line with Good Industry Practice and other obligations. This includes taking part in all eligible markets the facility is qualified for and not withholding the facility from service in a way that would lose achievable revenue. The licence also allows Ofgem to require price-taking participation in specific cases, except where system security or System Operator instructions apply.

Other options we considered and our reasoning

We chose a targeted approach. The draft allows normal commercial optimisation and hedging but restricts tactics that could depress revenues to trigger floor support or shift value across Assessment Periods. The power to require price-taking is deliberately held in reserve, to be used only where it is needed for particular markets or periods.

Policy aim

Ensures that reported performance reflects genuine market outcomes, protect consumers from gaming. Also to highlight related controls to protect consumers, including limits on how certain costs and internal transfers are treated, so value cannot be moved off-meter or shifted through fee structures.

3.13 Co-location, behind the meter & energy losses

Q13. a) Is Schedule C clear about the rules for co-located and behind-the-meter arrangements, including how energy flows are metered, how they are attributed between the LDES and other assets, and how any energy losses are treated? b) Are the associated evidence and assurance requirements (to demonstrate compliance with these rules) proportionate? If anything is unclear or onerous, what would you change, why, and what evidence supports this?

What the draft licence proposes

Schedule C sets metering, attribution and valuation rules so that revenues and costs for the regulated facility are identifiable, auditable and not distorted by co-location. It covers arrangements where assets share a grid connection, Boundary Point, metering system or balancing mechanism unit (or equivalent). It requires metering and, where needed, sub-metering to separate imports and exports, and to measure behind-the-meter transfers, supported by an estimation hierarchy where data is missing or unreliable, with later reconciliation.

The draft requires an Attribution Methodology and an annual explanation of how allocations have been applied. This must confirm compliance, highlight any deviations and set out proposed true-ups, with independent assurance where this is proportionate. The approach aims to prevent double counting of energy, revenues and costs and to ensure market-based valuation of behind-the-meter charging and transfers.

Other options we considered and our reasoning

We considered relying on general reporting and existing settlement arrangements but did not adopt this because co-location can create material risks of distortion and double counting, especially for related-party arrangements.

We also recognise that losses can be classified in different ways depending on measurement and operational set-up. The draft uses the concept of “energy purchase costs”, particularly within Market Related Costs, but seeks stakeholder views on whether the licence should be clearer about which types of losses fall inside or outside that category. This is to avoid either under-reporting losses or counting them more than once.

Policy aim

Ensure co-location and behind-the-meter arrangements do not distort cap and floor outcomes by requiring auditable metering, consistent attribution and market-based valuation of transfers. Clarify the energy accounting methodology so that costs and performance effects are reported once, with proportionate evidence requirements.

3.14 Model governance and the FSPR

Q14. Do the proposed governance arrangements for the Ofgem model suite (LDES CFFM1 and CFFM2) and the Facility Specific Parameters Register provide enough certainty and predictability, while allowing timely updates without reopening the licence? If not, what changes would you propose and why?

What the draft licence proposes

The draft explains that the regime relies on Ofgem’s models and the FSPR to set cap and floor levels, determine settlement outcomes and apply project-specific inputs. It sets model governance rules to protect model integrity and manage version control and change control. It also explains that the FSPR can be updated by Ofgem direction in defined circumstances (for example following post-construction review, Opex

Reassessment or error correction), without a formal licence modification, to keep the regime workable while remaining within the framework set by the licence.

Other options we considered and our reasoning

We considered leaving model governance to licensees, but that risks model drift and inconsistent treatment across projects. We also considered relying only on general reporting or model update provisions, without clear governance rules for the models and the FSPR. We did not take this approach because even small changes to parameters or model logic can materially affect outcomes.

Policy aim

Maintain accurate, reproducible calculations through clear governance, while allowing controlled updates to project-specific values through the FSPR (for example after review processes or error correction) without needing to reopen the licence.

3.15 Transmission Network Use of System (TNUoS) charges

Q15. a) Should TNUoS charges be borne by the licensee or passed through, in full or in part, as a non-controllable cost? If some pass-through is appropriate, what triggers and safeguards should apply to preserve locational signals? (b) Should any pass-through be smoothed through an allowance with later true-ups? Please provide evidence, data or modelling where available.

What the draft licence proposes

The draft text includes enabling mechanics only so that, if a decision were taken following consultation to allow some TNUoS pass-through, a facility-specific proportion could be recorded and treated as a non-controllable operational cost under the licence. Any portion so designated is passed through via the Assessed Revenue calculation, with the remainder borne by the licensee.

Other options we considered and our reasoning

A full pass-through could weaken locational signals, particularly for future projects. We recognise that many projects may already have fixed siting and connection decisions, which could limit their ability to manage TNUoS exposure once built. We welcome views on whether partial pass-through retains the right balance, and whether a different approach is needed where spatial planning materially constrains siting choice.

Policy aim

Balance consumer protection and efficient siting incentives, while testing whether the approach remains appropriate as spatial planning develops. Any pass-through should be bounded and transparent (for example via a fixed share and/or caps or collars in the FSPR), with the remainder borne by the licensee to retain incentives and limit consumer exposure. We also want this framing to align with wider transmission charging policy and reform work, and we are engaging Ofgem's charging teams on the language and assumptions.

3.16 Proving periods and performance test protocol

Q16. Do you think the proposed proving windows, 10 days for BESS and 30 days for PSH, LAES and CAES, together with the ongoing testing requirements in Schedule B are clear, proportionate and enforceable? If not, what would you change and what evidence supports your proposal?

What the draft licence proposes

Schedule B (Performance Test Protocol) sets requirements for commissioning and ongoing performance testing, including evidence requirements, retesting triggers, and notification and response timelines. It provides for periodic performance testing at least once every three years or as directed, and for testing following specified events such as major maintenance or modification.

The draft seeks views on whether proving windows are proportionate for different technologies, noting indicative proving windows informed by independent analysis. Indicative windows are approximately **10 days for battery energy storage systems (BESS) and around 30 days for pumped storage hydro (PSH), liquid air energy storage (LAES) and compressed air energy storage (CAES)**. It requires certification through directors' and independent certifier certificates. For co-located and behind-the-meter projects, it links to Schedule C to ensure testing reflects the performance of the regulated facility and avoids double counting.

To ensure results are fair, robust and comparable across projects, Schedule B applies clear reference conditions and recognised testing principles, drawing on the RIGs and associated guidance. The tests in Schedule B provide the framework to verify the asset's endurance, capacity, control systems, and compliance with operational limits under reference conditions. Where needed, Ofgem may introduce additional testing to verify that a project can deliver the performance it has claimed, beyond what the standard Codes requires, for example to assess grid-forming capability.

Other options we considered and our reasoning

We considered relying on high-level reporting without detailed testing requirements to reduce burden and leave methods to project discretion. We did not adopt this because performance tests set parameters that determine floor eligibility, and consistent, auditable rules are needed to ensure comparability and to confirm that reported capability reflects what the system can access at the Boundary Point.

We also considered hard-coding third-party engineering standards and specific editions in the licence. Although established standards can remain valid for many years, locking fixed editions into the licence would make future updates difficult across diverse LDES technologies. Schedule B instead anchors testing in clear Reference Conditions, recognised testing principles and Independent Certification, with detailed methods and any edition-specific references set through the RIGs and associated guidance, supported by transparent change control. This provides certainty and comparability while keeping the licence stable.

Finally, we considered allowing alternatives at the licensee's discretion. To avoid cherry-picking and protect consumers, alternatives may be used only where the Independent Certifier evidences equivalence, or greater conservatism, against the Schedule B Reference Conditions and the RIGs requirements on data quality and auditability. This preserves flexibility across technologies, maintains consistency where tests affect floor eligibility, and avoids reopening the licence for detailed testing changes.

Policy aim

Set technology-appropriate proving and testing requirements that demonstrate capability at commissioning and keep recorded performance aligned with what the facility can deliver, using proportionate methods. The approach keeps methods proportionate and relies on standards and guidance where these provide better clarity and flexibility than detailed licence drafting.

4. Developing policy areas and evidence needed

This section covers areas where our approach is still in development and where we need further evidence. We are seeking views on LDES operation during rare system stress events, cybersecurity and operational technology resilience including incident-reporting triggers, and whether light-touch governance is needed for algorithmic optimisation and operational hedging. We also welcome views on how to ensure LDES operates as LDES only, how the cap and floor should respond to repetitive re-trading, and what should sit in the licence, the RIGs or the award decision document.

Overview

Q17. Across the areas in Section 4, what should Ofgem prioritise as we finalise Window 1, and what evidence should we use to decide what belongs in the licence, in RIGs, or in future decisions? Please also tell us if you think any of these areas do not need further work, and why?

The areas in this section may affect consumers, system performance, and how the cap and floor operate. We are not revisiting the overall design of the cap and floor regime but want practical views on what is workable and auditable, or whether these issues should be left to the market and existing rules.

When you respond, it would be helpful if you:

- explain what you think the risk or problem is (and how likely it is),
- set out options for addressing it (including non-licence options),
- provide evidence, examples, or data where available, and
- suggest what reporting or assurance would be proportionate.

4.1 Supply and availability during system stress

Q18. In a system stress event, should LDES operators have any additional, explicit licence expectations beyond following NESO instructions? If yes, what should they cover (for example coordination, information sharing, or performance expectations) and how can they be framed to avoid conflict with existing arrangements such as G18-Capacity-Market-Stress-Event-Guide_v10.0.pdf. If no, please explain why.

System stress events are likely to be rare but can have a high impact on security of supply. We are seeking evidence to help finalise the Window 1 licence approach so that LDES supports the system in these conditions, including whether the current framework is sufficient or whether additional, high-level expectations are needed.

In answering, please focus on what would be clear and enforceable without cutting across existing market arrangements like the Capacity Markets. If you think additional clarity is needed, explain what it should cover (for example, coordination expectations between the operator and NESO, information sharing during stress events, or how performance should be assessed when the system is under stress).

4.2 Cybersecurity and operational technology resilience

Q19. DESNZ and Ofgem will jointly consult on wider cyber regulation which we encourage stakeholders to engage with. Beyond that consultation, we would be interested in understanding your views on proportionate cybersecurity approaches for LDES.

LDES facilities rely on digital control systems and operational technology. A cyber or operational technology incident could affect availability, data quality, and market participation. At present, the draft licence does not set an explicit cybersecurity or operational technology baseline standard. Future cyber requirements will be informed by DESNZ and Ofgem's upcoming joint consult on wider cyber regulation for the energy sector in parallel, including the planned consultation "Reshaping Cyber Regulation in Downstream Gas and Electricity". We encourage stakeholders to engage with this consultation, as it may shape the long-term approach and what sits in the licence or RIGs for LDES.

We are exploring a light-touch approach for the licence that signposts existing obligations (including the Network and Information Systems (NIS) regulations where applicable) and uses guidance or RIGs for any additional, proportionate expectations. Stakeholders have told us that baseline "cyber hygiene" style controls may be more workable than bespoke, licence-specific requirements, but we want to gather evidence on specific considerations for electricity storage and different operators and technologies that could help inform future DESNZ and Ofgem policymaking on cyber.

In your response, it would be helpful if you cover:

- whether and how you assess whether NIS applies to your organisation or portfolio, and what that implies for LDES operations
- whether you already subscribe to cyber controls, and which ones
- if not, whether you have views on what would be proportionate (for example, basic cyber hygiene) and how operators could evidence them without heavy assurance

4.3 Algorithmic optimisation governance and execution quality

Q20. Should Ofgem introduce a proportionate, outcomes-based standard for optimisation (including algorithmic optimisation), and if so, what is the minimum evidence we should ask for to assess execution quality without requiring disclosure of commercially sensitive strategy?

Many LDES projects are likely to use algorithmic optimisation and, in some cases, outsource optimisation. The consumer risk is not only the level of Optimiser Fees. It can also include execution quality, conflicts of interest (for example where an optimiser trades as principal), model drift over time, and hidden “slippage” between expected and achieved outcomes.

We are considering whether an outcomes-based approach could work better than detailed, prescriptive rules. For example, a “disclose and comply” approach through reporting could focus on measurable indicators (such as slippage against transparent benchmarks) and governance indicators (such as change logs and periodic back-testing summaries).

4.4 Hedging governance

Q21. What level of disclosure about operational hedging (including any intra-group hedges) is proportionate to support auditability and consumer protection, while avoiding requirements that would reveal trading strategy or intellectual property?

Hedging choices during operations can affect the timing and volatility of revenues. At present, there are no ongoing operational hedging standards in the draft, and we are not looking to control commercial hedging strategy. The question is whether Ofgem needs enough visibility to audit outcomes and understand whether hedging arrangements, including intra-group hedges, could create concerns similar to structured transactions.

One option would be limited, high-level disclosures through RIGs (for example an annual summary of hedging policy, permitted instruments, and whether any hedges are intra-group), rather than detailed reporting of positions or strategy. We want stakeholder input on what is workable and useful.

4.5 Repetitive re-trading

Q22. How material is RRT for consumers and LDES cap and floor outcomes? Please provide evidence. If it is material, what (if anything) should Ofgem do within the LDES regime (for example monitoring, reporting, or threshold tests) to protect consumers without restricting legitimate revenue maximisation? If no action is needed, please explain why (for example due to wider market reforms) and provide evidence.

We are aware of a market behaviour referred to as repetitive re-trading (RRT). Broadly, this describes when a flexible energy asset, such as a battery or pumped storage asset, is connected in an area where the network is constrained. In these situations, NESO may ask the asset to reduce its expected output or increase its demand by accepting a “Bid” through the Balancing Mechanism.

The asset may then try to sell the same stored electricity again in the next settlement period. But if the network constraint is still there, it may be asked once more to reduce its expected output. This cycle can repeat, meaning the battery keeps earning money by selling the same energy over and over. Meanwhile, NESO has an additional cost in order to manage the network constraint and to replace the expected output that was not delivered because of the repeated instructions.

RRT is not itself prohibited by existing market rules, although market participants are required to ensure that the prices that they charge NESO to reduce their output in constraint periods are not excessive, and must ensure that the information they provide to NESO about their intended level of output is not misleading. There is, however, wider work underway that may address the underlying inefficiency, notably through Reforms to National Pricing (RNP).

NESO's RNP Call for Input, published in February 2026, discusses RRT and includes indicative analysis suggesting the behaviour could have been associated with £136.3 million of consumer costs over the period November 2024 to October 2025, with the majority of the balancing costs being due to NESO replacing the expected output that was not delivered due to repeated bid acceptances. This suggests the issue could be significant and worth understanding alongside the LDES scheme.

Why this matters for LDES cap and floor

The cap and floor is designed to preserve incentives for licence holders to maximise revenue through normal market participation, while also protecting consumers overall. We want views on whether RRT could create consumer risks that are not fully addressed through wider market reform alone, and what proportionate steps, if any, Ofgem should take within the LDES regime to understand the issue and protect consumers. This could include monitoring and reporting arrangements that help Ofgem and stakeholders assess the scale of the issue, without limiting legitimate revenue maximisation.

Rationale for not including an LDES-specific licence condition at this stage

While we consider it important to acknowledge RRT and its potential interactions with cap and floor, we are not currently proposing an LDES-specific licence condition on this behaviour at this stage. This reflects the fact that RNP is already considering the issue in the round across the wider market, and changes to market arrangements may be a more effective and durable way to address root causes than adding LDES-specific rules.

Definitions used in this section

*The **Balancing Mechanism** is the system NESO uses to help keep electricity supply and demand in balance in real time. It allows electricity providers and users to offer to increase or decrease how much electricity they generate or use, in return for payment. NESO accepts the most efficient offers to make sure the system stays stable.*

*A **bid acceptance** is when a Balancing Mechanism Unit (BM Unit) agrees to reduce the electricity it sends to the national transmission system or to take in more electricity, following an instruction from NESO.*

*A **BM Unit** is a named piece of equipment, like a battery or a group of electricity meters, that NESO can ask to change how much electricity it produces or uses. These units are the basic parts of the system used to help keep the electricity supply and demand in balance.*

4.6 Operating as LDES

Q23. Do you think the draft licence and reporting framework should do more to ensure that cap and floor supported LDES continues to deliver long duration capability over its lifetime? Please address the four areas set out below.

In your response, please cover:

I. **Minimum safeguards (1 to 4).** Do you agree with the four minimum safeguards set out below? If not, what would you change and why? What auditable indicators and annual reporting metrics should evidence LDES-consistent operation?

II. **Additional safeguards (A to C).** Are the additional safeguards A to C below needed? For any you support, explain whether and how it could be defined and applied consistently across different LDES technologies and delivery models, including what would be monitored, how it would be evidenced, what enforcement approach would be workable, and the consumer benefits versus costs or unintended effects.

III. **Baseline versus a hard duty.** Is it better to keep "operate as LDES" as a reasonable endeavours-style expectation supported by reporting (minimum safeguard 3), or to make it a hard licence duty (additional safeguard A) with only narrow exceptions where NESO requests otherwise during a system stress event? If you prefer a hard duty, what definitions and assurance are needed?

IV. **Consumer impacts and revenue effects**. What directional revenue impacts would you expect from additional safeguards A to C, and how should we weigh them against consumer risk and the objective of securing long-duration capability? What else is needed to maximise consumer benefits once operational, including whether clearer long-duration services or products (and related rules) are the main gap? We are not asking for full project financial models or confidential forecasts at this stage. Please provide directional, order-of-magnitude evidence (for example, small, moderate or material impacts, or an indicative percentage range) and briefly explain which revenue stacks would be affected and why. If impacts appear material, we may follow up later for further supporting evidence.

Why we are asking this

The LDES cap and floor is consumer-backed support: if market revenues are low, consumers may fund payments through the floor. That support is justified where assets continue to deliver the long-duration capability consumers expect, including maintaining long-duration capability and readiness over time. Short-duration storage can already deploy through existing market mechanisms. Projects are assessed against the LDES definition, including minimum duration and capacity, so awards assume supported assets will operate as LDES.

Some stakeholders have questioned whether market incentives alone will always deliver this in practice. We are therefore considering how the licence and wider framework should help ensure cap and floor supported assets continue to deliver long-duration capability over time.

Our initial proposed approach: minimum safeguards

We think the licence and reporting framework should include at least four baseline obligations to ensure each supported project continues to perform as genuine LDES:

1. Operate within the approved long-duration envelope. The facility should not routinely operate in a way that is inconsistent with the capacity and duration it was assessed and approved for. In practice, this means it should not rely on persistent short-burst cycling that would materially undermine long-duration capability or readiness.
2. Through-life performance checks (capacity and duration). We will periodically verify that the facility continues to meet its approved storage duration and capacity as it ages, for example through the performance test regime (Schedule B) or similar mechanisms.
3. Annual monitoring and reporting. Through the RIGs, the licensee would report auditable operational data each year, such as charge and discharge profiles, number of cycles, typical discharge duration per cycle, and indicators of persistent short cycling.
4. General duty to operate as long-duration. A high-level licence obligation for the licensee to use all reasonable endeavours to operate the facility in a manner consistent with its role as a cap and floor LDES facility, in line with policy.

We want views on whether these are the right minimum safeguards and how to make them clear, auditable and enforceable, including whether failure to meet them should trigger financial consequences as a first step, such as reduced or removed access to the floor.

Additional safeguards we are considering

Beyond the above, we are considering stronger measures to provide greater assurance that consumer-backed LDES delivers a genuine step-change in long-duration capability. These measures may have downsides (including practicality and market effects), so we are carefully evaluating them and seek stakeholder views:

A. Hard “operate as LDES” duty with narrow NESO-triggered exceptions. A firmer licence requirement to operate as LDES, with limited exceptions where NESO requests otherwise during defined system stress circumstances. This would require clear definitions (including the trigger for any NESO request) and auditable assurance.
B. Technology neutral operating constraints. More specific, technology-neutral requirements to limit persistent short-cycling behaviours where they would undermine long-duration capability or readiness, with clear monitoring and evidence requirements. How should we define and evidence “short-duration” or “persistent short-cycling” in practice, so that it reflects real operational behaviour rather than theoretical capability?
C. Availability enhancements when needed by the system. Requirements to ensure the facility is available for discharge in defined periods, most likely where requested by NESO during system stress circumstances. This would require clarity on what “available for discharge” means in practice, how it interacts with existing availability arrangements, and how it would align with NESO processes.

Our initial view is that availability enhancements (C) may most directly align with the policy intent by providing greater certainty that supported projects are there when needed, but we welcome stakeholder views before final decisions are made. We also welcome views on proportionate consequences where relevant requirements are not met, including how this should interact with eligibility for floor support and wider compliance and enforcement.

5. Conclusions and next steps

The call for input opens on **16 March 2026** and closes on **20 April 2026, 23:59**.

If you have questions about the material in this call for input, you can send clarification questions to LDES@ofgem.gov.uk up to **30 March 2026**. We will respond where we can but may not be able to answer every question. Any clarifications we provide may be published so that all interested parties have access to the same information.

Please submit all responses via the Microsoft Forms response form: Call for Input on Draft Licence Framework for Long Duration Electricity Storage (LDES). Please read and follow the instructions in the form.

Your feedback will help us improve the working draft of the LDES special licence conditions ahead of the statutory consultation. We will review responses and update the draft where appropriate.

The next steps are expected to be:

- **Q2/Summer 2026**: publish a statutory consultation on the proposed LDES licence modification package, reflecting feedback where appropriate.
- **Summer 2027:** have the necessary licence modifications and RIGs in place so the cap and floor regime for successful Window 1 projects can be granted and take effect on schedule
- Publish a summary of responses alongside the consultation or decision documents, showing how feedback has been considered.
- Work with industry on any required changes to industry codes or agreements to facilitate LDES participation in the electricity market.
- Continue stakeholder engagement as needed to support delivery of the scheme's objectives.

Thank you for your time and input.

Send us your feedback

We believe that consultation is at the heart of good policy development. We are keen to receive your comments about this call for input. We would also like to get your answers to these questions:

- Do you have any comments about the quality of this document?
- Do you have any comments about its tone and content?
- Was it easy to read and understand? Or could it have been better written?
- Are its conclusions balanced?
- Did it make reasoned recommendations?
- Do you have any further comments?

Please send your feedback to stakeholders@ofgem.gov.uk.

Annex 1: List of consultation questions

Annex 2 – Privacy notice on consultations

The following explains your rights and gives you the information you are entitled to under the General Data Protection Regulation (GDPR). Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. **The identity of the controller and contact details of our Data Protection Officer**

   The Gas and Electricity Markets Authority is the controller, (for ease of reference, "Ofgem"). The Data Protection Officer can be contacted at dpo@ofgem.gov.uk.

2. **Why we are collecting your personal data**

   Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. **Our legal basis for processing your personal data**

   As a public authority, the GDPR makes provision for Ofgem to process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. **With whom we will be sharing your personal data**

   Your personal information is never shared with anyone outside of Ofgem. However, we will publish your response to our consultation on our website. If your response includes personal information we will publish your response as is, unless you tell us you wish to have any names on the document redacted.

5. **For how long we will keep your personal data, or criteria used to determine the retention period.**

   The duration your data will be retained for is specified within each Consultation Privacy Statement. In this consultation, we intend to hold your data for 1 year before it is reviewed.

6. **Your rights**

   The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right to:

   - know how we use your personal data
   - access your personal data
   - have personal data corrected if it is inaccurate or incomplete

- ask us to delete personal data when we no longer need it ask us to restrict how we process your data
- get your data from us and re-use it across other services
- object to certain ways we use your data
- be safeguarded against risks where decisions based on your data are taken entirely automatically
- tell us if we can share your information with 3rd parties
- tell us your preferred frequency, content and format of our communications with you
- to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/, or telephone 0303 123 1113.

7. **Your personal data will not be sent overseas.**
8. **Your personal data will not be used for any automated decision making.**

   Consultation - Proposals for self-disconnection and self-rationing.
9. **Your personal data will be stored in a secure government IT system.**
10. **More information**

For more information on how Ofgem processes your data, click on the link to our "Ofgem privacy promise".