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Call for input

Long duration electricity storage draft special licence conditions: minded-to decisions

Publication date:	21 July 2026
Response deadline:	18 August 2026
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Following the March 2026 Call for Input on draft special licence conditions for Long Duration Electricity Storage (LDES), we have considered stakeholder feedback and are consulting on our minded-to positions for the special licence conditions that would apply to Window 1 LDES projects. Subject to consultation responses, Ofgem expects to take final decisions in autumn 2026.

Contents

Executive summary

In March 2026, Ofgem published a Call for Input on draft Long Duration Electricity Storage (LDES) special licence conditions to support development of the licence for Window 1 LDES projects. Having considered stakeholder feedback, we have now developed minded-to positions and updated the special licence conditions accordingly.

This further Call for Input seeks views on those minded-to positions before Ofgem takes final decisions. It explains how stakeholder feedback has informed the changes we are minded-to make to the special licence conditions and the areas where we are seeking further stakeholder input.

This further Call for Input opens on 21 July 2026 and closes on 18 August 2026 at 23:59.

Please submit all responses through the [Window 1: Minded-to Decisions: Cap & Floor Special Licence Conditions for LDES – Fill in form] and address the consultation questions set out in Appendix C: Consultation questions. Stakeholders may wish to prepare their responses offline before submitting them through the form. If you are unable to use Microsoft Forms, please contact us.

Subject to consultation responses, we expect to make final decisions on the special licence conditions in autumn 2026. The cap and floor award decisions for successful Window 1 projects would be implemented through a subsequent statutory consultation on the licence modifications needed to give effect to those awards and the final special licence conditions.

1. Introduction

This section explains the purpose of this further Call for Input, the policy context, how stakeholder feedback has informed our minded-to positions, and the path to final decisions.

Purpose of this call for input

1.1 In March 2026, Ofgem published a Call for Input alongside draft special licence conditions for Long Duration Electricity Storage (LDES) projects. We sought views on whether the draft special licence conditions were clear, workable, proportionate, and capable of delivering the regime's objectives.

1.2 We received 40 responses from a broad range of stakeholders and carefully considered the views and evidence provided. We have updated the draft special licence conditions and developed minded-to positions on the key issues raised.

1.3 This further Call for Input seeks views on those minded-to positions before final decisions are made. Responses should be submitted through the accompanying Microsoft Forms response form. The consultation questions are provided in Appendix C: Consultation questions. Stakeholders may wish to prepare responses offline before submitting them. If you are unable to use Microsoft Forms, please contact us at LDES@Ofgem.gov.uk.

Context and related publications

1.4 The LDES cap-and-floor scheme is designed to support investment in long-duration electricity storage while protecting consumers. The regime seeks to facilitate investment in technologies capable of providing system benefits that may not otherwise be delivered through existing market arrangements, while ensuring consumers share in upside value and are protected from excessive costs.

1.5 The work contributes to Strategic Priority 2, Enabling infrastructure for net zero at pace, in Ofgem's Forward Work Programme 2026-27. The special licence conditions have been developed through a staged process. Table 1 summarises the key milestones, including completed and future stages.

1.6 **Table 1: LDES special licence condition development process**

Stage	Description
1	March 2026 Call for Input on draft special licence conditions

2	This further Call for Input on minded-to positions and updated draft special licence conditions
3	Cap and floor award decisions for successful Window 1 projects in autumn 2026
4	Final decisions on the policy positions and special licence conditions, expected in autumn 2026 but shortly after cap and floor awards
5	Statutory consultation on the licence modifications required to implement the cap and floor awards and apply the final special licence conditions to successful Window 1 projects expected in Q1 2027
6	Final decisions on the proposed licence modifications in Q2 2027
7	The modified generation licences, including the special licence conditions, come into effect.

1.7 As this is a further Call for Input rather than a statutory consultation, stakeholders are encouraged to review the full draft special licence conditions, not just the changes since March 2026.

1.8 Our minded-to positions keep the core structure of the draft special licence conditions, while improving clarity, operability, financeability, and consumer protection. They also help ensure supported projects continue to provide the long-duration storage capability that underpins the case for intervention.

1.9 This document should be read alongside the following:

- Long Duration Electricity Storage Call for Input on Draft Special Licence Conditions (March 2026)
- Electricity Generation Licence: Special Conditions for Long Duration Electricity Storage Facilities Subject to The Cap and Floor Regime (March 2026)
- Window 1: Minded-to decisions – Long Duration Electricity Storage (June 2026)

Overview

1.10 Most of this document is structured around the March 2026 Call for Input questions (Q1-Q23). For each question, we:

- summarise Ofgem's March 2026 consultation position;
- summarise stakeholder responses; and
- set out our response and minded-to position.

1.11 Section 2 sets out our minded-to positions on each question in turn. Questions 1-16 focus primarily on the draft special licence conditions, while Questions 17-23 consider related policy areas we explored in the Call for Input.

1.12 Section 3 sets out additional updates reflected in the revised draft special licence conditions, including drafting and technical clarifications, new and revised licence provisions, and other changes informed by stakeholder feedback and further policy development.

1.13 Appendix A summarises the key changes made to the draft special licence conditions since March 2026. Appendix B summarises stakeholder responses and our consideration of them. Appendix C: Consultation questions.

Call for input stages

Stage 1 Call for input open: 21 July 2026

Stage 2 Call for input closes. Deadline for responses: 18 August 2026

Stage 3 Responses reviewed and final decision published: Autumn 2026

How to respond

1.14 We want to hear from anyone interested in this call for input. Please submit all responses through the Window 1: Minded-to Decisions: Cap & Floor Special Licence Conditions for LDES – Fill in form and address the consultation questions set out in Appendix C: Consultation questions. Stakeholders may wish to prepare their responses offline before submitting them through the form. If you are unable to use Microsoft Forms, please contact us.

1.15 We will publish non-confidential responses on our website. If your response contains confidential information, please clearly identify the relevant material in the response form. We will publish your name alongside your response unless you request otherwise.

Your response, data, and confidentiality

1.16 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.

1.17 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.

1.18 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 Appendix 4.

1.19 If you wish to respond confidentially, we will keep your response confidential. 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. Find the web page for the call for input you would like to receive updates on.
2. Click ‘Get emails about this page’, enter your email address and click ‘Submit’.
3. You will receive an email to notify you when it has changed status.

A call for input has two stages: ‘Open’ and ‘Closed’.

2. Key decisions on the questions

This section sets out the original consultation position, stakeholder feedback and Ofgem's minded-to-position.

Q1 - Administrative vs ACOD Approach

(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?

Consultation position

2.1 In the consultation, we proposed two approaches to determining the Floor Level. The Administrative Floor would apply as the default approach, while an Actual Cost of Debt (ACOD) Floor could be available for eligible project-financed facilities subject to Authority approval. We sought views on whether the distinction between the two approaches was sufficiently clear, and whether the proposed repayment and priority arrangements would operate effectively where an ACOD Floor resulted in higher levels of support.

Summary of stakeholder responses

2.2 There were 21 responses to this question with 4 respondents agreeing, 12 disagreeing and 5 neutral. Stakeholders supported the principle of retaining both an Administrative Floor and an ACOD Floor to accommodate different financing structures. Respondents recognised that the approach could support both balance-sheet-financed and project-financed facilities while maintaining consistency with established regulatory approaches. However, many stakeholders requested greater clarity regarding the interaction between the two approaches, the circumstances in which each would apply, and the practical operation of the repayment framework.

2.3 Respondents also highlighted the need for greater certainty regarding repayment priorities, treatment of outstanding balances, consumer repayment arrangements, and how the framework would operate throughout the project lifecycle. Overall, stakeholders supported the policy intent but requested additional clarity.

Ofgem response

2.4 The revised draft special licence conditions retain both the Administrative Floor and ACOD Floor approaches. We continue to consider that they provide a robust and proportionate framework for accommodating both balance-sheet-financed and project-financed facilities while protecting consumers. The revisions focus on improving clarity and operability across Special Conditions 3, 5, 6, and 17, Schedule A and the FSPR.

2.5 Our minded-to position provides greater clarity on when each approach applies and the role of the FSPR in recording the applicable approach. In particular, the draft special licence conditions clarify that the Administrative Floor Level applies unless and until the Authority determines that the ACOD Approach applies and records that determination, and its effective date, in the FSPR.

2.6 We have also strengthened and streamlined the ACOD support and repayment framework. The revised drafting clarifies the tracking and repayment of ACOD support balances, standardises repayment terminology, and improves the interaction between support accrual, repayment obligations, settlement provisions, and distribution restrictions. It also clarifies the treatment of outstanding balances and avoids potential double counting.

2.7 We consider that these changes provide a clearer and more workable distinction between the Administrative Floor and ACOD Floor approaches, and a more consistent framework for the repayment of ACOD support. We welcome views on whether the revised drafting provides sufficient certainty.

Q2 – Market Related Costs and Marginal Cycling Costs

(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?

Consultation position

2.8 The consultation proposed a framework for calculating Assessed Revenue that distinguishes between Gross Revenue and a number of cost categories, including Market Related Costs (MRC), Marginal Cycling Costs (MCC), Non-Controllable Operational Costs (NCC) and Excluded Costs. The proposed approach sought to allow recovery of appropriate operating costs while maintaining incentives for efficient operation and protecting consumers from inappropriate cost pass-through.

2.9 We sought views on whether the proposed cost classifications were sufficiently clear, whether the proposed treatment of Marginal Cycling Costs was appropriate, and whether the framework was practical and financeable across different LDES technologies.

Summary of stakeholder responses

2.10 There were 21 responses to this question, with 4 agreeing, 13 disagreeing and 4 neutral. Stakeholders supported a structured cost-classification framework but sought greater clarity regarding the distinction between Market Related Costs and Marginal Cycling Costs, the treatment of degradation-related and replacement costs, evidential requirements and protections against inconsistent treatment or double counting.

Ofgem response

2.11 Having considered stakeholder feedback, we have retained the core cost-classification framework. The distinction between Gross Revenue, Market Related Costs (MRC), Marginal Cycling Costs (MCC), Non-Controllable Operational Costs (NCC), and Excluded Costs provides an appropriate balance between consumer protection, operational flexibility, and regulatory oversight.

2.12 The relevant changes are reflected principally in Special Condition 4, 10, 14, the RIGs framework and associated definitions.

2.13 We recognise that stakeholders sought greater clarity regarding the boundary between MRC, MCC, and other cost categories, particularly in relation to degradation-related costs, replacement costs, evidential requirements and the risk of double counting. In response, we have revised and clarified the relevant definitions, cost categorisations, reporting requirements, and supporting evidence provisions. We have also clarified the interaction between the relevant cost categories to reduce the risk of inconsistent treatment and double counting.

2.14 We considered stakeholder suggestions for broader changes to the cost-classification framework. However, we remain of the view that the distinction between Gross Revenue, MRC, MCC, NCC and Excluded Costs is appropriate and proportionate, and that a fundamental redesign is not required.

2.15 However, we have made targeted drafting changes to improve clarity and implementation. We consider that the revised drafting provides clearer boundaries between MRC, MCC, NCC and Excluded Costs, while striking an appropriate balance between auditability, proportionality and consumer protection. We welcome views on whether it provides sufficient certainty.

Q3 - Optimiser Fees Cap and Related-Party Controls

(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?

Consultation position

2.16 The consultation proposed a framework for the treatment of optimiser fees within the cap and floor regime. This included provisions governing the recovery of optimiser costs, the treatment of related-party arrangements, reporting obligations, and mechanisms intended to protect consumers from inappropriate value transfer. We sought views on whether the proposed framework was proportionate, workable, and capable of accommodating different optimisation models, including third-party, related-party and in-house optimisation arrangements.

Summary of stakeholder responses

2.17 There were 26 responses to this question with 2 agreeing, 22 disagreeing, and 2 neutral. Stakeholders supported the transparency and oversight of optimiser arrangements but raised concerns regarding the treatment of related-party and in-house optimisation models. Respondents sought greater clarity regarding reporting requirements, evidential expectations, and the treatment of different optimisation arrangements, while favouring a proportionate approach that maintains consumer protection without creating unnecessary compliance burdens.

Ofgem response

2.18 Having considered stakeholder feedback, we have retained the optimiser fee framework. The relevant changes are reflected principally in Special Conditions 4 and 14, the FSPR and the associated optimiser fee provisions. We consider that optimiser services can play an important role in supporting efficient market participation, but that appropriate controls are required to protect consumers and ensure that recoverable costs remain proportionate.

2.19 In response to stakeholder feedback, we have amended the draft special licence conditions to provide greater clarity regarding the treatment of third-party, related-party and in-house optimiser arrangements. We have also clarified the reporting, evidential and record-keeping requirements applicable to different optimisation models. These changes are intended to improve transparency and consistency while avoiding unnecessary compliance burdens.

2.20 We have also reconsidered the treatment of optimiser fees in light of stakeholder concerns regarding related-party arrangements and consumer protection. Our minded-to position is to introduce differentiated optimiser fee caps recorded in the FSPR, with separate treatment for third-party optimiser arrangements and optimiser arrangements involving Associates or Related Undertakings.

2.21 We consider that this approach better reflects the differing consumer protection risks associated with those arrangements while continuing to allow flexibility in how facilities secure optimisation services. The draft special licence conditions also provide greater clarity regarding the basis on which optimiser fee caps may be set, amended and applied.

2.22 We considered stakeholder views that optimiser arrangements should be subject to minimal intervention regardless of organisational structure. We remain of the view that additional safeguards are justified where related-party arrangements present greater risks to transparency and consumer protection.

2.23 With these changes, we consider that optimiser arrangements are clearer, more workable, and better balanced between flexibility, transparency and consumer protection. We welcome views on whether the revised drafting provides sufficient certainty.

Q4 - Gross Revenue Definition and Reporting

(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?

Consultation position

2.24 The consultation proposed that revenues attributable to the Relevant LDES Facility should be reported on a gross basis for the purposes of the cap and floor regime, including where revenues are received through third parties or settled on a net basis.

2.25 The proposed framework sought to ensure that all relevant revenues are captured consistently and transparently, while avoiding double counting and maintaining clear links between Gross Revenue, cost categories and Assessed Revenue.

2.26 We sought views on the clarity of the Gross Revenue definition, the treatment of revenues received via third parties and optimisers, and whether the proposed framework appropriately addressed complex arrangements, including co-located and behind-the-meter configurations.

Summary of stakeholder responses

2.27 There were 14 responses to this question, with 3 agreeing, 5 disagreeing, and 6 neutral. Stakeholders supported gross revenue reporting but sought greater clarity regarding the treatment of specific revenue and cost items, particularly in relation to optimiser arrangements, co-located assets and net-settled transactions. Respondents also highlighted the importance of robust attribution arrangements and safeguards against double counting.

Ofgem response

2.28 Having considered stakeholder feedback, we have retained the Gross Revenue framework. The relevant changes are reflected principally in Special Conditions 4, 14, Schedule C, the RIGs framework and the associated metering, attribution and reporting provisions. We continue to consider that a comprehensive gross revenue approach remains necessary to ensure that value derived from the Relevant LDES Facility is appropriately captured within the cap and floor regime.

2.29 We have considered stakeholder requests for greater clarity on attribution arrangements, including optimiser revenues, net-settled transactions, co-located arrangements, and behind-the-meter configurations. We remain of the view that Schedule C provides an appropriate framework for attributing revenues, costs, and energy flows to the Relevant LDES Facility. This is necessary to ensure that co-located and behind-the-meter activities do not distort cap and floor outcomes.

2.30 We have clarified the Schedule C attribution framework, including provisions on metering, attribution methodologies, net-settled transactions, third-party revenues, behind-the-meter transfers, shared assets, and shared charges. We have also strengthened the associated reporting and evidential requirements to improve transparency, consistency, and auditability.

2.31 We remain of the view that robust attribution arrangements are necessary to prevent co-located and behind-the-meter activities from distorting cap and floor outcomes and to ensure that only activity attributable to the Relevant LDES Facility is included within the regime.

2.32 We considered stakeholder views that some arrangements could be treated on a simplified or net basis. However, we remain of the view that gross revenue reporting, supported by clear attribution rules, provides the most transparent and auditable basis for administering the regime and protecting consumers.

2.33 We consider that the revised drafting provides greater clarity on the treatment of revenues associated with the Relevant LDES Facility and strikes an appropriate balance between transparency, practicality, and consumer protection. We welcome views on whether it provides sufficient certainty.

Q5 - Post-Construction Adjustments (Cost Overruns)

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?

Consultation position

2.34 The consultation proposed a Post-Construction Adjustment (PCA) framework to assess project outturn costs following construction and determine the final cost baseline for the cap and floor regime. The proposed framework included the use of P50 and P90 cost benchmarks and an assessment of whether costs had been incurred in an economic, efficient and effective manner.

2.35 The framework was designed to provide appropriate funding for efficiently incurred costs while protecting consumers from inappropriate cost overruns. We sought views on the proposed approach to assessing outturn costs, the associated evidential requirements, and whether the framework struck an appropriate balance between delivery incentives, consumer protection and project financeability.

Summary of stakeholder responses

2.36 There were 22 responses, with 18 disagreeing, 3 neutral, and 1 agreeing. Stakeholders supported the principle of a post-construction review of outturn costs. Respondents generally recognised the importance of ensuring that consumers fund only costs that are appropriately incurred and supported by evidence.

2.37 However, many stakeholders raised concerns regarding the treatment of cost overruns and the practical operation of the PCA framework. In particular, respondents highlighted potential financeability concerns associated with the P50–P90 approach and the treatment of costs exceeding the P90 benchmark.

2.38 Stakeholders' principal concerns related to the treatment of costs above the P90 benchmark, the allocation of construction risk between consumers and investors, the interaction with the Force Majeure framework, and whether the proposed approach remained consistent with the regime's financeability objectives.

2.39 Stakeholders also sought greater clarity regarding the application of the economic, efficient and effective assessment, the evidence required to support cost claims and the overall PCA process. While views differed on the appropriate allocation of construction risk, stakeholders generally favoured greater transparency, predictability and clarity regarding how PCA determinations would be undertaken.

Ofgem response

2.40 Having considered stakeholder feedback, we have retained the PCA framework. The relevant provisions are reflected principally in Special Conditions 7 and 9, the FSPR and the associated cost assessment framework. We consider that a review of eligible outturn costs remains an important safeguard to ensure that consumer support is based on costs that are economic, efficient and effective, while supporting financeability.

2.41 We recognise stakeholder requests for greater clarity regarding the operation of the PCA framework, including the treatment of benchmark values, project-specific evidence, evidential requirements and the application of the economic, efficient and effective assessment. In response, we have clarified aspects of the assessment process, reporting requirements, and interaction with related licence provisions.

2.42 We carefully considered stakeholder proposals to allow broader recovery of cost overruns above the P90 benchmark where those costs are demonstrated to be economic and efficient. However, we remain of the view that benchmark values should continue to play an important role in risk allocation under the regime and that the framework strikes an appropriate balance between consumer protection, delivery incentives, and financeability.

2.43 We also recognise stakeholder views regarding the treatment of project-specific circumstances. We consider that benchmark values should remain an important reference point, while allowing relevant project-specific evidence to be considered where appropriate.

2.44 With these changes, we consider that the PCA framework is sufficiently clear and capable of being implemented in practice. We welcome views on whether the revised drafting provides sufficient certainty.

Q6 - Availability regime

(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).

Consultation position

2.45 The consultation proposed an availability framework under which eligibility for Floor support would be linked to demonstrated technical capability and operational availability.

2.46 The framework was based on an annual Equivalent Availability Calculation (EAC) measured against a Minimum Availability Target (MAT), supported by performance testing arrangements and an energy-based cross-check. We sought views on the proposed approach to availability assessment, including the calibration of MAT, the operation of the EAC methodology, the treatment of degradation, the role of energy-based measures, and whether the proposed performance testing framework appropriately reflected the characteristics of different LDES technologies.

Summary of stakeholder responses

2.47 For Question 6a, there were 24 responses, with 18 disagreeing, 1 neutral, and 5 agreeing. Stakeholders supported linking Floor support to demonstrated technical capability and availability. However, many respondents raised concerns about the calibration of the MAT, particularly the proposed 95% threshold for PSH, LAES, and CAES technologies, arguing that it does not adequately reflect maintenance requirements or operational realities and could create financeability risks.

2.48 Common suggestions included lower MAT levels, planned outage allowances, rolling-average assessments and more proportionate consequences than complete loss of Floor support. Stakeholders also sought greater clarity on the energy-based cross-check, deemed availability provisions and the rationale for technology-specific MAT values.

Ofgem response

2.49 Having considered stakeholder feedback, we are minded to retain the core EAC and MAT framework. We agree that eligibility for Floor support should remain linked to demonstrated technical capability and availability. The relevant changes are reflected principally in Special Condition 12, Schedule B, the FSPR and associated reporting requirements.

2.50 In response to stakeholder feedback, we have clarified the treatment of Reference Capacity, degradation, performance testing and legitimate operating states. We have also clarified that a facility is not unavailable solely because it is full or empty where it remains capable of operating in the opposite direction.

2.51 We are also minded to reduce the MAT for pumped storage hydro projects from 95% to 92.5% to better reflect their operational characteristics. With these changes, we consider the availability framework is clearer, more proportionate and capable of being applied consistently across technologies.

(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?

Summary of stakeholder responses

2.52 For Question 6b, there were 12 responses, with 7 disagreeing, 3 neutral, and 2 agreeing. Stakeholders expressed mixed views on using GC0166 Balancing Mechanism parameters for availability assessment. Some supported relying on MEL/MIL and related parameters as an objective and auditable approach, provided the methodology is clearly documented in the RIGs and FSPR.

2.53 Others questioned whether these parameters accurately reflect physical availability in all circumstances, particularly where assets reserve capacity for other services. Respondents requested worked examples, greater clarity on parameter mapping and further explanation of the Energy-Based Cross Check.

Ofgem response

2.54 Having considered stakeholder feedback, we are minded to retain the use of Balancing Mechanism parameters as the primary basis for calculating availability where appropriate. We continue to consider that these provide a transparent and auditable measure of availability.

2.55 In response to stakeholder feedback, we have clarified how Available Capacity is determined and how relevant Balancing Mechanism parameters are used within the EAC methodology. Where those parameters are not appropriate for a particular technology or facility, the Authority may approve an alternative methodology recorded in the FSPR.

2.56 With these changes, we consider the framework provides sufficient clarity while maintaining flexibility across different LDES technologies.

(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).

Summary of stakeholder responses

2.57 For Question 6c, we received 14 responses, with 3 disagreeing, 6 neutral and 5 agreeing. Stakeholders generally supported basing Reference Capacity on demonstrated capability established through testing. Many agreed that using the lower of proven import and export capacity provides a pragmatic solution to directional asymmetry.

2.58 However, some respondents, particularly from the PSH sector, argued that separate import and export reference capacities would better reflect operational characteristics. Stakeholders also supported using commissioning and periodic testing to evidence proven capability.

Ofgem response

2.59 Having considered stakeholder feedback, we have retained the approach that Reference Capacity should be based on demonstrated facility capability established through performance testing. We continue to consider that a tested and evidenced approach provides an objective and auditable basis for availability assessment.

2.60 The licence provides greater clarity that Reference Capacity is the maximum deliverable power at the Boundary Point demonstrated through Commissioning Tests and recorded in the FSPR. Where proven import and export capabilities differ, Reference Capacity will be the lesser of those two proven values.

2.61 We have considered stakeholder feedback; we are minded to retain Reference Capacity based on demonstrated facility capability established through performance testing.

2.62 Where proven import and export capabilities differ, Reference Capacity will continue to be based on the lower of the two values. We consider this remains the most proportionate and technology-neutral approach to managing directional asymmetry. With these changes, we consider the framework is clear, practical, and supported by robust testing arrangements.

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?

Summary of stakeholder responses

2.63 For Question 6d, there were 12 responses, with 6 disagreeing, 4 neutral, and 2 agreeing. Views were divided on whether Reference Capacity should vary with State of Charge. Several PSH stakeholders supported a variable approach, arguing that changing hydraulic head affects capability and should be reflected in the availability framework.

2.64 Others favoured a simpler fixed-capacity approach, citing concerns around complexity, consistency and auditability. Overall, respondents sought greater clarity on the justification, implementation and governance of any State-of-Charge-dependent methodology.

Ofgem response

2.65 Having considered stakeholder feedback, we recognise that some technologies may exhibit variations in deliverable power depending on their state of charge or operating characteristics. We have retained a single Reference Capacity value for the purposes of the EAC methodology. However, we have amended Schedule B to require projects whose deliverable power changes with state of charge to demonstrate an appropriate power delivery profile through performance testing.

2.66 We are minded to retain a single Reference Capacity value. However, Schedule B would require projects whose deliverable power varies with state of charge to demonstrate an approved power delivery profile through performance testing. We consider this provides a proportionate way of recognising technology-specific characteristics while maintaining a clear and auditable framework.

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?

Summary of stakeholder responses

2.67 For Question 6e, there were 15 responses, with 10 disagreeing, 2 neutral, and 3 agreeing. Stakeholders generally supported using minimum duration requirements and periodic performance testing to maintain long-duration capability. However, many sought greater clarity on the treatment of permitted degradation and the relationship between testing outcomes and Floor support eligibility.

2.68 Respondents generally favoured remediation and retesting arrangements rather than automatic loss of Floor support, and highlighted the importance of avoiding unnecessary duplication with existing testing frameworks.

Ofgem response

2.69 Having considered stakeholder feedback, we consider that minimum duration requirements and periodic performance testing provide the appropriate mechanism for managing degradation and maintaining long-duration capability throughout the regime.

2.70 We have clarified the treatment of degradation in the licence and Schedule B. We are not minded to introduce an automatic loss of Floor support following failure of an endurance or periodic performance test. However, where a failure is repeated or not remedied, the Authority may take it into account when assessing availability, Floor eligibility, compliance and any appropriate enforcement response. We consider this a proportionate approach to addressing degradation while allowing remediation where appropriate.

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?

Summary of stakeholder responses

2.71 For Question 6f, there were 11 responses, with 3 disagreeing, 5 neutral, and 3 agreeing. Stakeholders supported the Exceptional Events and outage-categorisation framework but sought greater clarity on definitions, evidential requirements, and decision-making criteria.

2.72 Respondents requested more objective and predictable arrangements, including worked examples and additional guidance. Some stakeholders also highlighted the need to ensure technology-specific operational characteristics and network-related outages are appropriately reflected within availability calculations.

Ofgem response

2.73 Having considered stakeholder feedback, we are minded to retain the existing Exceptional Events and availability relief framework.

2.74 We recognise requests for greater clarity regarding outage categorisation, evidential requirements, and decision-making criteria. The revised drafting provides additional clarity on outage reporting, outage coding, Exceptional Event claims, and supporting evidence requirements.

2.75 We consider that these arrangements provide a consistent and auditable basis for availability assessments across different LDES technologies. With these changes, we consider the framework to be clear, workable and proportionate.

Q7 - Force Majeure and Exceptional Events

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?

Consultation position

2.76 The consultation proposed a Force Majeure framework intended to provide relief only in limited circumstances where events are beyond the reasonable control of the licensee and could not reasonably have been prevented, mitigated or avoided through Good Industry Practice.

2.77 The proposed framework also included a separate Exceptional Events mechanism to address specific impacts on availability assessments. We sought views on the clarity, proportionality and practical operation of these arrangements, including the proposed eligibility criteria, evidential requirements, and interaction with availability assessments.

Summary of stakeholder responses

2.78 There were 22 responses to the question with 2 agreeing,18 disagreeing, and 2 neutral. Stakeholders supported retaining a robust and limited Force Majeure framework. However, many respondents considered aspects of the proposed drafting to be overly restrictive and requested greater clarity regarding eligibility criteria, evidential requirements and the practical operation of the framework.

2.79 A recurring theme was concern regarding the proposed exclusion of risks identified within the sub-P90 risk register from eligibility for Force Majeure relief. Several stakeholders argued that this could discourage comprehensive risk identification and disclosure and create unintended incentives during project development and financing.

2.80 Respondents also requested greater clarity regarding the treatment of events not expressly listed within the definition, the evidence required to support claims, the application of mitigation obligations and the interaction between Force Majeure and Exceptional Events. Overall, stakeholders generally supported the policy intent but sought greater transparency, certainty and workability.

Ofgem response

2.81 Having considered stakeholder feedback, we have made targeted changes to the Force Majeure and Exceptional Events provisions while retaining the core framework. We consider that it provides an appropriate basis for distinguishing between events within and outside the licensee's control.

2.82 The key changes we have made are reflected in Special Conditions 9, 12, and the associated reporting and evidential requirements.

2.83 Stakeholders sought greater clarity regarding the operation of the Force Majeure framework, including the treatment of foreseeable risks, evidential requirements and the interaction between Force Majeure and Exceptional Events. In response, we have clarified the relevant definitions, reporting obligations, evidential requirements and their interaction with availability assessments and Floor eligibility.

2.84 We have also clarified the treatment of risks identified in the sub-P90 risk register. The occurrence of such risks will not, of itself, constitute Force Majeure. However, the Authority may determine that an event is eligible where it is exceptional in nature, its occurrence or consequences materially exceed the nature, scale or impact of the relevant risk reflected in the register, and it otherwise satisfies the requirements of the Force Majeure definition.

2.85 We considered stakeholder requests for broader relief mechanisms and wider exclusions from availability consequences. However, we consider that relief should remain limited to circumstances genuinely outside the licensee's control and supported by appropriate evidence.

2.86 Taken together, we consider that the revised drafting provides a clearer and more workable framework. We welcome views on whether it provides sufficient certainty.

Q8 - Backstop and Delay Consequence Package

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?

Consultation position

2.87 The consultation proposed a Backstop Date and associated delay consequence framework intended to protect consumers and maintain delivery discipline where projects experience material delays to achieving Full Commissioning.

2.88 The proposed framework included financial consequences for delays beyond the Backstop Date, repayment mechanisms, and associated restrictions linked to outstanding delay-related obligations.

2.89 We sought views on whether the proposed package was clear, proportionate and financeable, and whether it provided appropriate incentives for timely delivery without creating unnecessary investor risk.

Summary of stakeholder responses

2.90 There were 21 responses, with 17 disagreeing, and 4 agreeing. Stakeholders supported the principle that material delays should have consequences and generally accepted the need for a Backstop Delay mechanism to protect consumers. However, many respondents raised concerns regarding the proportionality and financeability of the proposed framework.

2.91 A recurring concern was that the proposed approach could result in cliff-edge outcomes and create disproportionate consequences relative to the severity and duration of delay. Stakeholders also sought greater clarity regarding repayment arrangements, treatment of outstanding balances, distribution restrictions and the interaction between delay consequences and project financing structures.

Ofgem response

2.92 Having considered stakeholder feedback, we have retained the Backstop Delay framework while making targeted changes to improve proportionality and financeability. A Backstop Date and associated delay consequences are needed to encourage timely delivery and protect consumers. The main changes we have made are reflected in Special Conditions 6, 9, 25 and 26.

2.93 Stakeholders raised concerns about cliff-edge outcomes, financeability, repayment obligations and project financing structures. In response, we have revised the Backstop Delay Factor (BDF). The BDF now increases progressively with the length of delay, starting at 0.05 for the first three months (or part thereof) and increasing by 0.05 for each additional three-month period, up to a maximum of 1.0.

2.94 We have also clarified how outstanding Backstop Delay Repayment Balances are treated. These balances continue to be tracked and remain subject to the relevant repayment, reporting, settlement and post-regime requirements until repaid or otherwise discharged.

2.95 We considered requests for a less stringent regime and alternatives based solely on delay duration. However, we remain of the view that projects experiencing material delays should bear an appropriate share of the consequences, while avoiding disproportionate cliff-edge outcomes.

2.96 Overall, we consider the revised framework provides a clearer and more proportionate approach to delivery delays while maintaining delivery incentives and protecting consumers. We welcome views on whether the revised drafting provides sufficient certainty.

Q9 - Revocation events

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?

Consultation position

2.97 The consultation proposed a revocation framework intended to provide a regulatory backstop where an LDES project fails to deliver and is no longer capable of meeting the objectives of the cap and floor regime. The proposed framework enabled revocation of the LDES special licence conditions where a project did not achieve Full Commissioning by the Longstop Date.

2.98 We sought views on whether the proposed approach was sufficiently clear, predictable and proportionate, and whether it struck an appropriate balance between delivery incentives, consumer protection and investor certainty.

Summary of stakeholder responses

2.99 There were 15 responses to this question, with 2 agreeing, 5 neutral, and 8 disagreeing. Stakeholders accepted that revocation should remain available as a regulatory enforcement mechanism where projects fail to deliver. However, respondents raised concerns regarding investor uncertainty and the circumstances in which revocation could be triggered.

2.100 Stakeholders requested greater clarity on the interaction between revocation, delivery milestones and delay mechanisms, and generally favoured a more graduated approach that would allow delivery issues to be identified and addressed before revocation is considered.

Ofgem response

2.101 Having considered stakeholder feedback, we have retained revocation as a backstop where a project fails to achieve Full Commissioning by the Longstop Date and is no longer capable of delivering the outcomes expected under the regime. The principal changes are reflected in Special Conditions 25 and 26.

2.102 Stakeholders sought greater clarity on the interaction between revocation, delivery milestones and delay mechanisms, and generally favoured earlier intervention before revocation is considered. In response, we have introduced a Delivery Plan framework requiring Authority-approved milestones, progress reporting, and notification of material delivery risks.

2.103 We have also clarified the revocation process and its consequences, including representations before any revocation decision and the treatment of continuing reporting, audit, record-retention, settlement and reconciliation obligations.

2.104 We considered requests for a more graduated approach and tighter limits on when revocation may arise. However, we remain of the view that revocation should remain available as a last-resort response to persistent non-delivery.

2.105 Overall, we consider the revised framework provides greater transparency and certainty while maintaining an effective backstop for non-delivery. We welcome views on whether the revised drafting provides sufficient certainty.

Q10 - Post-Regime Treatment

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

Consultation position

2.106 The consultation proposed that the cap-and-floor regime would cease at the end of the Regime Duration, while certain obligations may continue beyond the Regime End Date where necessary to facilitate reconciliation, audit, reporting, enforcement, and settlement of outstanding amounts. We sought views on whether the proposed post-regime arrangements were sufficiently clear and predictable, including which obligations would continue after the regime ends and how any outstanding balances would be treated.

Summary of stakeholder responses

2.107 There were 18 responses to the question, with 12 disagreeing, 3 neutral and 3 agreeing. Stakeholders supported the continuation of certain obligations beyond the Regime End Date where necessary to facilitate reconciliation, audit and settlement activities. However, respondents sought greater clarity regarding which obligations would survive, the treatment of outstanding repayment balances, the duration of continuing obligations and post-regime reporting, repayment and settlement requirements.

Ofgem response

2.108 Having considered stakeholder feedback, we have retained the core post-regime framework. We consider that the cap and floor regime should end at the end of the Regime Duration, while retaining limited obligations where necessary for reconciliation, reporting, audit, enforcement and settlement activities. The principal changes are reflected in Special Conditions 2 and 6 and the associated repayment, settlement and post-regime provisions.

2.109 Stakeholders sought greater clarity on which obligations continue after the Regime End Date, the treatment of outstanding repayment balances and the operation of post-regime settlement arrangements. In response, we have clarified that outstanding Conditional Floor Accrual, ACOD Differential and Backstop Delay Repayment Balances continue to be tracked, reported, repaid and settled after the Regime End Date until discharged.

2.110 We have also clarified the interaction between post-regime repayment, settlement and distribution restrictions to ensure outstanding balances can continue to be recovered without creating any new entitlement to cap and floor support after the regime ends.

2.111 We considered stakeholder suggestions for a broader redesign of the post-regime framework. However, we remain of the view that a targeted framework focused on the recovery and settlement of outstanding balances is the most proportionate approach.

2.112 Overall, we consider the revised drafting provides greater clarity on the treatment of outstanding balances and continuing obligations after the Regime End Date. We welcome views on these minded to positions.

Q11 - 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?

Consultation position

2.113 The consultation proposed a financial resilience framework intended to support prudent financing structures, protect consumers from excessive financing risk and promote the long-term resilience of regulated LDES projects.

2.114 This included provisions relating to gearing, financing arrangements, monitoring requirements, financing classifications, distribution restrictions and the interaction between financing structures and the Actual Cost of Debt (ACOD) framework.

2.115 We sought views on whether the proposed framework struck the right balance between consumer protection, financeability and investor certainty, and whether the associated monitoring, reporting and compliance requirements were clear and workable.

Summary of stakeholder responses

2.116 There were 15 responses to the question, with 6 disagreeing, 3 neutral and 6 agreeing. Stakeholders broadly supported the objective of ensuring financial resilience but sought greater clarity regarding gearing calculations, financing classifications, shareholder debt, the interaction with the ACOD framework, distribution restrictions, and the operation of the Financing Register. Feedback focused primarily on improving clarity and consistency rather than changing the underlying policy framework.

Ofgem response

2.117 Having considered stakeholder feedback, we have retained the financial resilience framework. The principal provisions are reflected in Special Conditions 16 and 17 and the associated Financing Register requirements.

2.118 Stakeholders sought greater clarity regarding gearing calculations, financing arrangements, shareholder debt, distribution restrictions and monitoring requirements. In response, we have clarified the relevant provisions and published supporting guidance to assist implementation.

2.119 We considered suggestions for broader changes to the financial resilience framework. Our view is that the existing approach provides an appropriate balance between consumer protection, financeability and investor certainty.

2.120 The framework, as set out, provides a clear and proportionate basis for monitoring financial resilience. We welcome views on whether the revised drafting provides sufficient clarity.

Q12 - Structured transactions and revenue maximisation

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?

Consultation position

2.121 The consultation proposed a framework intended to protect consumers from gaming, inappropriate value transfer, and arrangements that could distort cap and floor outcomes. This included Structured Transactions provisions, reporting and monitoring requirements, and a Revenue Maximisation duty intended to ensure that supported facilities participate appropriately in relevant markets and seek to maximise revenues available within the regime.

2.122 We sought views on whether these provisions were clear, proportionate and workable in practice, and whether the proposed reporting, evidential and enforcement mechanisms appropriately balanced consumer protection and operational flexibility.

Summary of stakeholder responses

2.123 There were 22 responses to the question, with 15 disagreeing, 2 neutral, and 5 agreeing. Stakeholders supported the objective of preventing gaming and inappropriate value transfer through Structured Transactions provisions. However, many respondents raised concerns regarding the breadth of the drafting and requested greater clarity on how the framework would interact with routine commercial arrangements such as hedging, optimisation agreements, tolling arrangements, and other standard market practices.

2.124 Stakeholders raised significantly greater concerns regarding the proposed Revenue Maximisation duty. Many respondents argued that a strict revenue-maximisation obligation would not reflect how storage assets operate in practice and could create operational inefficiencies, distort dispatch decisions and undermine effective risk management. Respondents also expressed concerns regarding requirements to participate in all markets, the potential for hindsight-based assessments, and the scope of Authority intervention powers.

Ofgem response

2.125 Having considered stakeholder feedback, we have retained the objective of protecting consumers from gaming, manipulation and inappropriate value transfer, but have replaced the proposed Revenue Maximisation framework. The principal changes are reflected in Special Conditions 18 and 21.

2.126 Stakeholders raised significant concerns regarding the practicality of a strict Revenue Maximisation duty and the risk of distorting commercial dispatch decisions. In response, we have replaced that duty with a Market Participation and Anti-Gaming framework centred on reasonable market participation and consumer protection.

2.127 While the approach has changed, we consider it important that protections against manipulation, gaming and inappropriate value transfer are necessary and have therefore retained the underlying policy objective.

2.128 Overall, we consider the revised framework provides greater clarity while preserving operational flexibility. We welcome views on whether these minded-to positions provide sufficient certainty.

Q13 - Co-location, behind the meter & energy losses

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?

Consultation position

2.129 The consultation proposed a framework for co-located and behind-the-meter arrangements through Schedule C. The proposed framework sought to ensure that revenues, costs and energy flows attributable to the Relevant LDES Facility are identified and allocated appropriately, while preventing distortion of cap and floor outcomes.

2.130 The consultation included provisions relating to metering, attribution methodologies, energy losses, facility boundaries, shared assets, and reporting and assurance requirements. We sought views on whether the proposed arrangements were sufficiently clear, proportionate and auditable, including the treatment of energy losses, behind-the-meter energy transfers and common co-location configurations.

Summary of stakeholder responses

2.131 There were 14 responses to the question, with 5 disagreeing, 6 neutral, and 3 agreeing. Stakeholders supported the objectives of Schedule C but sought greater clarity regarding energy losses, attribution methodologies, metering requirements, facility boundaries and common co-location arrangements. Respondents also highlighted the importance of ensuring that reporting and assurance requirements remain proportionate and reflect the operational characteristics of different technologies.

Ofgem response

2.132 Having considered stakeholder feedback, we have retained the core Schedule C framework. The principal provisions are reflected in Schedule C, including metering and measurement, attribution principles, valuation of behind-the-meter energy, shared costs and charges, and reporting, notification, and evidence requirements.

2.133 Stakeholders sought greater clarity on energy losses, attribution methodologies, metering requirements, facility boundaries, shared assets, and common co-location arrangements.

2.134 We considered whether further prescriptive rules were needed for specific configurations. However, we consider that clear attribution principles, combined with Authority oversight, provide a more proportionate approach than detailed rules for every co-location arrangement.

2.135 We consider the revised drafting provides a clearer and more auditable basis for ensuring that only revenues, costs and energy flows attributable to the Relevant LDES Facility are included within the regime. We welcome views on whether these minded-to positions provide sufficient certainty.

Q14 - Model governance and the FSPR

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?

Consultation position

2.136 The consultation proposed a governance framework based on an Authority Model Suite and a Facility-Specific Parameters Register (FSPR). The proposed approach was intended to provide a consistent and transparent framework for administering the cap and floor regime, while allowing project-specific parameters and model inputs to be updated where necessary without requiring licence modifications.

2.137 We sought views on whether the proposed governance arrangements provided sufficient certainty and predictability for investors while maintaining flexibility to support administration of the regime over time. We also sought views on model governance, change-management processes, assurance arrangements and the role of the FSPR in recording project-specific parameters.

Summary of stakeholder responses

2.138 There were 17 responses to the question, with 9 disagreeing, 3 neutral, and 5 agreeing. Stakeholders supported the use of a centrally governed model suite and a Facility-Specific Parameters Register. However, respondents sought greater clarity regarding model governance, version control, change-management arrangements, and safeguards for changes that could have a material impact on project economics. They also emphasised the importance of transparent and predictable governance arrangements to support financeability.

Ofgem response

2.139 Following stakeholder feedback, we have retained the governance framework for the Authority Model Suite and the FSPR. The principal provisions are reflected in Special Conditions 13 and 24. We consider that a centrally governed model suite, supported by project-specific parameters recorded in the FSPR, provides an appropriate framework for administering the regime.

2.140 Stakeholders sought greater certainty regarding model governance, version control, change management and the treatment of project-specific parameters. In response, we have reviewed the governance arrangements and clarified the role of the FSPR as the primary mechanism for recording and maintaining project-specific parameters used in the administration of the regime.

2.141 Stakeholders also requested additional constraints on future parameter changes and stronger safeguards for parameters with a material impact on project economics. While we have carefully considered those views, we consider that the existing governance arrangements provide an appropriate balance between certainty, transparency and administrative flexibility, while avoiding the need for frequent licence modifications.

2.142 The revised licence provides a clear and proportionate basis for the governance of the Authority Model Suite and the FSPR throughout the regime. We welcome views on whether the proposed arrangements provide sufficient certainty.

Q15 - Transmission Network Use of System (TNUoS) charges

(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.

Consultation position

2.143 The consultation sought views on whether TNUoS charges should be borne by the licensee or treated, in full or in part, as a Non-Controllable Operational Cost (NCC) within the cap and floor regime. We also sought views on whether any pass-through mechanism should include smoothing or allowance-based arrangements and how any approach should balance consumer protection, financeability and locational signals.

Summary of stakeholder responses

2.144 There were 25 responses to the question, with 11 disagreeing, 8 neutral and, 6 agreeing. Stakeholders generally recognised the importance of preserving efficient locational signals but expressed differing views on the appropriate treatment of TNUoS charges.

2.145 A significant majority of respondents supported full pass-through of TNUoS charges, arguing that these charges are externally determined, highly volatile and largely outside the control of licensees. Many stakeholders highlighted the potential impact of TNUoS uncertainty on project financeability and argued that partial exposure could weaken the effectiveness of the Floor as a downside protection mechanism, particularly for project-financed assets.

2.146 Respondents also sought greater clarity regarding how any pass-through mechanism would operate in practice, including the treatment of project-specific circumstances, the relationship with the NCC framework and the interaction between the consultation proposals and licence drafting. Some stakeholders suggested allowance-based or smoothing approaches to reduce short-term volatility, while others favoured direct recovery of actual costs.

Ofgem response

2.147 Having considered stakeholder feedback, we remain minded to retain an element of locational exposure to TNUoS charges. The principal provisions are reflected in Special Condition 10 and the associated FSPR provisions.

2.148 Stakeholders raised concerns about TNUoS volatility, financeability and the treatment of network charges within the cost framework. In response, we have clarified the interaction between Non-Controllable Operational Costs and Market Related Costs, including the treatment of costs that may otherwise fall within both categories.

2.149 We have also clarified that TNUoS charges may be treated as Non-Controllable Operational Costs only to the extent, and in the proportion, directed by the Authority and recorded in the FSPR for the Relevant LDES Facility.

2.150 We considered stakeholder proposals for full pass-through of TNUoS charges. However, we remain of the view that preserving some locational exposure is important, while providing clearer arrangements for how any directed treatment would operate.

2.151 Taken together, we consider that the revised drafting provides greater clarity on the treatment of TNUoS charges while preserving appropriate locational signals. We welcome views on these minded to positions.

Q16 - Proving Windows and Performance Testing (Schedule B)

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?

Consultation position

2.152 The consultation proposed technology-specific proving windows and a performance testing framework through Schedule B to verify that facilities are capable of delivering the technical characteristics underpinning eligibility for cap and floor support. This included Commissioning Tests, periodic performance testing, certification requirements, evidential requirements and arrangements for demonstrating ongoing capability throughout the regime.

2.153 We sought views on the proposed proving windows, testing methodologies, certification arrangements and ongoing testing requirements, including whether these arrangements were proportionate, enforceable and capable of accommodating different LDES technologies.

Summary of stakeholder responses

2.154 There were 21 responses to the question, with 14 disagreeing, 4 neutral, and 3 agreeing. Stakeholders supported robust commissioning and periodic performance testing but sought greater clarity regarding proving windows, testing methodologies, certification requirements, retesting arrangements and technology-specific testing considerations.

2.155 Respondents also highlighted the importance of avoiding unnecessary duplication with testing already undertaken to satisfy industry codes, standards, and market requirements.

Ofgem response

2.156 We have retained the core performance testing framework. The principal changes are reflected in Special Condition 12 and Schedule B. Robust commissioning and periodic performance testing remain important to ensuring supported facilities continue to deliver the capabilities that underpin eligibility for cap and floor support.

2.157 Stakeholders sought greater clarity regarding proving windows, testing methodologies, certification requirements, retesting arrangements and the treatment of different technologies. We have therefore strengthened and clarified Schedule B, including the arrangements for Commissioning Tests, Periodic Performance Tests, evidence requirements, certification and the determination of Reference Capacity.

2.158 Stakeholders also proposed alternative testing approaches and greater reliance on existing industry testing arrangements. We carefully considered these proposals but consider that a licence-based framework provides the most effective and consistent assurance that facilities continue to meet the technical characteristics on which support was awarded. We have also retained the proposed proving windows of 10 days for BESS projects and 30 days for PSH, LAES, Vanadium Flow and CAES projects, reflecting the operational characteristics of those technologies.

2.159 The revised framework provides a clearer and more robust basis for demonstrating and maintaining technical capability throughout the regime. We welcome views on whether the proposed approach is appropriate.

Q17 - Developing policy areas and evidence needed

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?

Consultation position

2.160 Our consultation set out a number of developing policy areas where further evidence is needed to determine the appropriate level of intervention. We sought views on which areas should be prioritised for Window 1, and how to decide what should sit in the licence, in RIGs, or in future decisions, with a focus on ensuring that requirements are clear, proportionate and evidence based.

Summary of stakeholder responses

2.161 There were 18 responses to this question, with 7 disagreeing, 10 neutral, and 1 agreeing. Stakeholders highlighted the importance of prioritising areas with the most significant impact on consumer outcomes and system performance. Responses suggested that requirements should be proportionate, with a preference for high-level licence obligations supported by more detailed guidance where needed.

2.162 Stakeholders also emphasised the need for flexibility, noting that some areas remain uncertain or are evolving, and may be better addressed through RIGs or future decisions as further evidence emerges. There was support for avoiding overly prescriptive requirements in areas where markets, technologies or operational arrangements are still developing.

Ofgem response

2.163 The revised draft licence retains a proportionate approach to regulatory intervention, guided by evidence of risk to consumers, system outcomes and the effective operation of the regime. The principal provisions are reflected in Special Conditions 12, 18 and 20, together with the associated reporting, testing and monitoring requirements.

2.164 Stakeholders generally favoured a framework in which core obligations are set out in the licence, with more detailed or evolving requirements addressed through RIGs, guidance or future decisions. We agree with this approach and have sought to ensure the licence focuses on those obligations necessary to protect consumers and support the delivery of long-duration capability.

2.165 Some stakeholders argued that developing policy areas should be excluded from the licence altogether. We do not consider that approach appropriate. Core requirements relating to technical capability, operation as LDES, market participation and reporting should form part of the licence, while more detailed implementation requirements may be addressed through RIGs or future decisions where appropriate.

2.166 The revised framework seeks to balance certainty, proportionality and flexibility, and we welcome views on the proposed approach.

Q18 - Supply and availability during system stress

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. If no, please explain why.

Consultation position

2.167 In the Call for Input, we recognised that system stress events raise questions about the role of LDES in supporting system security, including whether additional expectations beyond complying with NESO instructions are necessary. We sought views on whether any such expectations should cover coordination, information sharing or performance, and how these could be framed to avoid conflict with existing arrangements.

Summary of stakeholder responses

2.168 There were 21 responses to this question, with 11 disagreeing, 5 neutral, and 5 agreeing. Stakeholder responses indicated a range of views. Some emphasised reliance on existing frameworks, including NESO instructions, while others highlighted the importance of coordination and information sharing. There was limited support for additional prescriptive licence requirements, with respondents noting the need to avoid duplication or conflict with existing arrangements.

2.169 Following stakeholder feedback, we recognise that uncertainty remains regarding the role of LDES assets during periods of system stress and whether additional expectations may be needed beyond existing arrangements. We improved transparency and information sharing during defined NESO System Events, particularly where existing operational processes may not fully capture the characteristics and operation of long-duration storage assets.

2.170 The principal changes are reflected in Special Condition 12 Part G (ESO System Event Reporting) and the associated reporting and evidential requirements. We remain of the view that system operation, balancing and security should remain matters for NESO and the existing market and code framework.

2.171 Stakeholders expressed differing views on whether additional expectations should apply during system stress events. While some respondents supported greater coordination and transparency, there was limited support for prescriptive licence-based operational requirements that could duplicate or conflict with existing arrangements.

2.172 In response, we have introduced targeted reporting and information requirements relating to defined NESO System Events. These provisions require licensees to retain and provide relevant information and evidence, supporting greater visibility of facility availability and operation during system stress events.

2.173 We also considered calls for additional performance obligations. On balance, we have limited the proposed changes to targeted reporting and information requirements, recognising the role of existing NESO, Capacity Market, Grid Code and other industry arrangements, and ongoing work to improve market and system outcomes. We will continue to monitor developments and consider whether further measures are warranted as the evidence base evolves.

2.174 The revised provisions improve transparency and evidence gathering during system stress events without duplicating existing operational arrangements. We welcome views on those proposals.

Q19 - Cybersecurity and Operational Technology Resilience

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.

Consultation position

2.175 DESNZ and Ofgem noted that they would be consulting separately on wider cyber regulation and sought stakeholder views on proportionate approaches to cybersecurity and operational technology resilience for LDES assets. We sought views on how cyber risks should be managed in a way that is proportionate, technology-neutral and aligned with wider regulatory frameworks.

Summary of stakeholder responses

2.176 There were 20 responses to this question, with 4 disagreeing, 12 neutral, and 4 agreeing. Stakeholders generally agreed that cybersecurity and operational technology resilience are important considerations for LDES assets. However, respondents broadly favoured a risk-based, proportionate and technology-neutral approach aligned with existing national and sector-wide cybersecurity frameworks, rather than introducing bespoke LDES-specific requirements.

2.177 Many stakeholders argued that cybersecurity should be regulated through wider energy-sector and national frameworks, with LDES draft special licence conditions limited to signposting existing obligations. Respondents also highlighted the importance of supply-chain assurance, operational resilience and incident response capabilities, while seeking to avoid duplication with existing regulatory requirements and standards.

Ofgem response

2.178 We recognise the importance of cyber resilience, including operational technology resilience, for LDES assets. However, we have not proposed specific cyber security or operational technology resilience obligations in the licence at this stage. We agree with stakeholders on the importance of alignment with established cyber security standards, regulatory frameworks and emerging government policy.

2.179 Stakeholders generally supported a risk-based, proportionate and technology-neutral approach aligned with existing national and sector-wide cybersecurity frameworks. Respondents also emphasised the importance of avoiding duplication with existing and emerging regulatory requirement.

2.180 Consistent with stakeholder feedback and the principles set out in the Energy Sector Cyber Security Strategy 2026, we consider cyber resilience is best addressed through a coherent sector-wide framework rather than LDES-specific licence requirements.

2.181 Consistent with this approach, Ofgem has consulted on proposed Supply Chain Security Guidance which promotes transparency, auditability and proportionality based on supplier criticality without introducing prescriptive requirements or new licence obligations. Stakeholders may also wish to refer to related cyber resilience publications from Ofgem and government. We welcome views on whether this remains the appropriate approach.

Q20 - Algorithmic optimisation governance and execution quality

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?

Consultation position

2.182 In the Call for Input, we highlighted the increasing use of algorithmic and automated optimisation and its potential impact on revenues and consumer outcomes. We sought views on whether additional governance or evidence requirements were needed, while avoiding prescriptive approaches or disclosure of commercially sensitive strategies.

Summary of stakeholder responses

2.183 There were 21 responses to this question, with 15 disagreeing, 3 neutral, and 3 agreeing. Stakeholders supported the objective of ensuring optimisation delivers efficient outcomes and consumer value. However, they cautioned against prescriptive requirements or disclosure of proprietary strategies, and generally favoured a proportionate, outcomes-based approach focused on transparency and auditability.

Ofgem response

2.184 We recognise the increasing role of algorithmic and automated optimisation in the operation of LDES assets. We have not introduced new bespoke optimisation governance provisions for Window 1. The principal provisions are reflected in Special Conditions 4, 14, 18, 20, 21, and 22, which provide reporting, audit, market participation, anti-gaming, structured transaction and procurement controls relevant to optimisation arrangements.

2.185 Stakeholders supported the objective of ensuring that optimisation delivers efficient outcomes and protects consumers, but cautioned against prescriptive requirements or disclosure of commercially sensitive trading strategies, proprietary models or intellectual property.

2.186 We considered whether additional algorithmic optimisation standards should be introduced into the licence. However, we remain of the view that a bespoke optimisation governance framework would not be proportionate at this stage and could risk requiring disclosure of commercially sensitive information.

2.187 The proposed approach provides a proportionate basis for monitoring optimisation outcomes while preserving operational flexibility and commercial confidentiality. We welcome views on whether this provides sufficient assurance.

Q21 - Hedging governance

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?

Consultation position

2.188 Our consultation position highlighted the importance of transparency where operational hedging may affect revenues, costs or related-party arrangements under the cap and floor regime. At the same time, we recognised the need to avoid requirements that would expose commercially sensitive information. We therefore sought views on a proportionate approach focused on auditability and consumer protection, rather than detailed disclosure of trading strategies.

Summary of stakeholder responses

2.189 There were 19 responses to this question, with 7 disagreeing, 9 neutral, and 3 agreeing. Stakeholders generally supported appropriate transparency around operational hedging, particularly where it could affect reported revenues, costs, or related-party transactions.

2.190 However, respondents consistently cautioned against requirements that would require disclosure of commercially sensitive trading strategies, proprietary methodologies or intellectual property. Overall, feedback favoured a proportionate approach focused on outcomes, auditability and consumer protection.

Ofgem response

2.191 We have not introduced a bespoke disclosures for operational hedging. Related provisions are reflected in Special Conditions 4, 14, 18, 20, 21, and 22, which provide reporting, audit, market participation, anti-gaming, structured transaction and procurement controls relevant to hedging arrangements.

2.192 Stakeholders generally supported appropriate transparency where hedging may affect reported revenues, costs or related-party transactions, but cautioned against requirements that would require disclosure of commercially sensitive trading strategies, proprietary methodologies or intellectual property.

2.193 We agree that operational hedging can be a legitimate risk management tool. At this stage, we consider that existing reporting, audit, information and RIGs requirements provide an appropriate basis for transparency and auditability where hedging may materially affect cap and floor outcomes.

Q22 - Repetitive re-trading

How material is repetitive re-trading (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.

Consultation position

2.194 In the Call for Input, we recognised RRT as a broader market behaviour that can increase balancing costs where storage repeatedly re-trades behind network constraints. We noted emerging evidence that these costs could be material in some periods and signalled that RRT should be considered alongside the LDES regime, while also recognising that wider market reforms (including Reformed National Pricing) may address its underlying drivers.

Summary of stakeholder responses

2.195 There were 19 responses to this question, with 8 disagreeing, 7 neutral, and 4 agreeing. Stakeholders consistently said RRT is a wider market issue, not specific to LDES. Most did not support LDES specific licence rules at this stage, noting that RRT is driven by market arrangements and system constraints, not LDES behaviour alone and targeting LDES only could create distortions across technologies.

2.196 Stakeholders cautioned that evidence is currently insufficient to justify licence changes, particularly given ongoing reforms. While stakeholders acknowledged potential impacts on system costs and revenues, the clear preference was to monitor and address RRT through wider market reforms rather than bespoke LDES rules.

Ofgem response

2.197 Our recently published Repetitive Re-Trading Policy Paper confirms that RRT is driven by transmission constraints and market arrangements, can lead to inefficient dispatch, and may increase balancing costs.

2.198 The paper also notes that: “Ofgem considers that there is sufficient work underway that looks to reduce the negative system impacts caused by RRT, such that additional, separate policy development by Ofgem would be duplicative, and is not required at this time.”

2.199 Consistent with this approach, we are not introducing LDES-specific requirements at this stage. Additional requirements before the impact of wider reforms is known could create unnecessary differences between technologies. We will keep this area under review and consider further action if needed to protect consumers.

Q23 - Operating as LDES

Do you think the draft special licence conditions 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.

Consultation position

2.200 We consulted on whether the draft special licence conditions and reporting framework should do more to ensure that cap and floor LDES assets continue to deliver the long-duration storage capability on which they were assessed and approved throughout the regime. The consultation sought views on a package of minimum safeguards relating to operation within the approved long-duration envelope, periodic capability verification, annual monitoring and reporting, and a general obligation to operate as LDES.

2.201 We also sought views on additional safeguards, including a firmer operate-as-LDES obligation, measures to address persistent short-cycling behaviour, and requirements linked to system stress events. We asked stakeholders how best to balance long-duration capability, operational flexibility, efficient market participation and consumer protection.

Summary of stakeholder responses

2.202 There were 26 responses to this question, with 16 disagreeing, 6 neutral, and 4 agreeing. Stakeholders agreed that cap and floor supported assets should continue to deliver the long-duration storage capability on which they were assessed and awarded the regime. Many respondents supported capability testing, monitoring and reporting arrangements to provide assurance that assets continue to maintain their approved duration and capacity characteristics over time.

2.203 Views were more mixed on additional behavioural requirements. Some stakeholders supported stronger and clearer licence obligations to ensure supported assets continue to operate as genuine LDES assets and to reduce the risk of operational behaviours that may undermine the policy intent of the regime.

2.204 Other respondents cautioned against highly prescriptive operational requirements, arguing that assets should remain free to optimise across electricity markets and that excessive intervention could distort dispatch decisions, reduce revenues and increase consumer costs. Several respondents favoured a monitoring and transparency based approach rather than detailed operational obligation.

2.205 Stakeholders also expressed differing views on whether additional LDES-specific requirements were needed in relation to system stress events, with some respondents pointing to existing market arrangements, Capacity Market obligations and NESO processes as the primary mechanisms for managing these situations.

Ofgem response

2.206 We agree with stakeholders that it is important to ensure cap and floor LDES facilities continue to provide long-duration capability throughout the regime. We also agree that the draft special licence conditions should provide greater clarity on what it means for supported facilities to continue operating as LDES.

2.207 We have strengthened and clarified the provisions governing how cap and floor supported facilities must operate as long-duration electricity storage. The key changes are reflected in Special Conditions 12 and 18, Schedule B and the associated RIGs reporting requirements.

2.208 Stakeholders generally supported the objective of ensuring that supported facilities continue to operate as long-duration electricity storage, while emphasising the importance of operational flexibility, efficient market participation and technology neutrality. In response, the revised drafting introduces a clearer requirement that licensees must not, as a persistent or routine operating practice, dispatch or schedule facilities in a manner that is materially inconsistent with the long-duration capability on which they were assessed and approved.

2.209 The revised special licence conditions also strengthen the link between operation as LDES, technical capability, performance testing and ongoing reporting. Compliance may be assessed having regard to Minimum Duration, Effective Usable Energy Capacity, Reference Capacity, performance testing outcomes, discharge duration, cycling patterns, and other operational information reported under the RIG.

2.210 We have also clarified the interaction between operating as LDES and market participation. The revised drafting establishes a clear expectation that eligible LDES facilities participate in relevant electricity markets unless there is a justified reason not to. It also introduces enhanced reporting requirements, including reporting relating to defined NESO System Events, to improve visibility of facility operation, and capability and support effective oversight.

2.211 We considered stakeholder concerns regarding preserving operational flexibility and avoiding unnecessary interference with commercial dispatch decisions. The revised proposal does not introduce prescriptive dispatch requirements, and responsibility for commercial operation remains with the licensee. However, we remain of the view that clearer operating expectations are necessary to ensure that supported facilities continue to provide the long-duration capability on which support was awarded.

2.212 Our view is that the proposed approach strikes an appropriate balance between efficient market participation and ensuring that supported facilities continue to operate as long-duration electricity storage. Nothing in our minded-to positions is intended to conflict with existing legal requirements or industry Codes. We welcome stakeholder views on the proposed approach and accompanying draft special licence conditions before reaching a final decision.

3. Further policy, drafting and implementation updates

This section sets out additional updates to the revised draft special licence conditions, including a new Delivery Plan provision, ESO System Event reporting requirements, strengthened operate as LDES provisions, and other improvements to the licence.

Drafting and technical clarifications

3.1 We have made a number of drafting, terminology and cross-reference changes to improve the consistency and readability of the revised draft special licence conditions. These include standardising defined terms, simplifying provisions that were repetitive or circular, and making clearer links between definitions and operative licence provisions.

3.2 These changes are intended to make the licence easier to use and reduce ambiguity, without materially changing the underlying policy intent. They include updates relating to the Actual Cost of Debt approach, cap-and-floor award decisions, technical testing requirements, delay mechanisms, Conditional Floor Accruals, financial models, and associated governance documents.

3.3 We have also made targeted technical and formula clarifications across the financial provisions. These clarify how values and adjustments are treated in the Cap, Floor and Assessed Revenue calculations, including the treatment of zero values, decommissioning adjustments and double counting. They also clarify where adjustments apply only on a forward-looking basis and do not reopen previous assessments or settlements.

Delivery Plan framework

3.4 We have introduced a new special condition on Delivery Plans. Under the revised draft special licence conditions, licensees would be required to prepare, maintain and report against an Authority-approved Delivery Plan covering key development, financing, construction, testing and commissioning milestones.

3.5 As set out in Section 9 of our June 2026 [LDES Window 1 minded-to decisions consultation](), projects would be expected to meet specified delivery milestones and provide regular reporting on progress, risks, and delivery constraints. The proposed Delivery Plan condition implements this approach within the licence.

3.6 This approach is intended to provide clearer delivery expectations while preserving flexibility to reflect project-specific circumstances. It gives Ofgem a structured basis for monitoring delivery progress, requiring remedial action where appropriate, and considering further regulatory action where a project is no longer progressing on a credible pathway to delivery.

ESO System Events and operation as LDES

3.7 We have introduced new ESO System Event reporting requirements to improve transparency and information gathering during defined system events. These requirements are not intended to create a separate dispatch-control regime or duplicate existing NESO, market or code arrangements. They are intended to improve Ofgem's visibility of how LDES facilities operate during relevant system conditions and support future evidence-based policy development.

3.8 We have also strengthened the framework supporting the ongoing operation of facilities as LDES. The revised draft special licence conditions are intended to provide greater assurance that supported facilities continue to maintain the long-duration capability on which their award was based, while preserving commercial flexibility and avoiding unnecessary restrictions on legitimate market operation.

Project lifecycle and financial framework updates

3.9 We have made targeted amendments to improve how the regime operates across the project lifecycle. These include clarifications to the treatment of floor support before commissioning, the application of the ACOD approach, Conditional Floor Accruals and associated repayment arrangements, delay-related repayment mechanisms, availability, testing and reporting arrangements, market cost and optimiser fee provisions, and approved decommissioning adjustments.

3.10 These changes are intended to improve the practical operation of the regime, ensure the licence provisions interact clearly, and provide greater certainty for licensees and stakeholders.

Post-regime obligations

3.11 We have clarified the treatment of obligations that may continue after the Regime End Date. The revised draft special licence conditions provide for certain repayment balances, settlement arrangements, information and record-retention requirements, audit obligations, and enforcement provisions to continue after the regime has ended where necessary.

3.12 The revised draft special licence conditions also clarify that outstanding Conditional Floor Accrual, ACOD and Backstop Delay repayment balances may remain subject to ongoing repayment and settlement arrangements after the

Regime End Date, including associated distribution restrictions where applicable. No new amounts would become payable to licensees under the cap and floor regime after the Regime End Date. These amendments are intended to provide greater certainty on post-regime obligations and consumer protections.

Reporting requirements and the FSPR

3.13 We have sought to centralise reporting, information and audit requirements within Special Conditions 14 and 20 and the FSPR, rather than duplicate requirements across multiple licence provisions. We are also interested in whether there are more efficient ways of maintaining and administering the FSPR, including through its operation as an electronic register.

3.14 We welcome views on whether the proposed framework strikes the right balance between information that is necessary to administer licence obligations, settlement calculations and consumer protections, and information that could instead be maintained through supporting submissions, Delivery Plans, Post-Construction Review processes, Authority records or other supporting documentation.

3.15 In particular, we welcome views on whether any reporting, record-keeping or FSPR requirements could be streamlined while maintaining consumer protection, transparency, auditability and effective regulatory oversight. We are keen to work with stakeholders to ensure that the framework remains proportionate, practical and efficient to administer throughout the life of the regime.

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.

Appendix A: Summary of key changes made since the March 2026 Call for Input

1. **SC1: Force Majeure definition**
    - **Change made:** Clarified the treatment of risks recorded in the facility's sub-P90 risk register, including the circumstances in which the Authority may determine that an event remains eligible for Force Majeure relief.
    - **Purpose:** To respond to stakeholder concerns about the treatment of foreseeable risks, the exclusion of risks identified in the sub-P90 risk register, and the operation of the Force Majeure framework.
    - **Effect:** Provides greater certainty about how risks identified in the sub-P90 risk register are treated and the circumstances in which such events may qualify for Force Majeure relief.
2. **SC2 and SC6: Post-Regime Repayment of Outstanding Balances**
    - **Change made**: Clarified that outstanding CFA, ACOD Differential and Backstop Delay Repayment Balances continue to be tracked, reported, repaid and settled after the Regime End Date.
    - **Purpose**: To resolve the drafting inconsistency between SC2 and the repayment mechanics in SC6 Part F and ensure that outstanding balances can be fully repaid after the Regime End Date.
    - **Effect**: Extends the repayment mechanics into the Post-Regime Duration Period, using a notional Floor Level solely to calculate the surplus available for repayment, without creating any post-regime entitlement to support.
3. **SC3: Administrative and ACOD Floor Levels**
    - **Change made:** Clarified when the Administrative Floor Level and ACOD Floor Level apply and how the applicable approach is recorded.
    - **Purpose:** To respond to stakeholder requests for greater clarity about the operation of the Administrative and ACOD Floor approaches and the process for determining and recording the applicable Floor Level.
    - **Effect:** Provides greater certainty about the applicable Floor Level and when it takes effect.
4. **SC4: Optimiser fee framework**

- **Change made:** Revised the optimiser fee framework by introducing differentiated optimiser fee caps.
- **Purpose:** To respond to stakeholder concerns about the treatment of related-party and in-house optimisation arrangements and provide a more proportionate approach to cost recovery and consumer protection.
- **Effect:** Provides clearer limits on admissible optimiser fees and strengthens consumer protections.

5. **SC5 and SC6: Conditional Floor Accrual Framework**
    - **Change made:** Clarified and streamlined the relationship between the Conditional Floor Accrual provisions in SC5 and the connected repayment provisions in SC6, including the treatment and tracking of the Conditional Floor Accrual Balance, and the relationship between accrual and repayment calculations.
    - **Purpose:** To respond to stakeholder concerns that CFA balances and repayment terms were spread across multiple provisions and, in some cases, described using different variable names. The changes are intended to reduce duplication, improve internal consistency and make the relationship between the accrual and repayment mechanisms clearer.
    - **Effect:** Provides a clearer and more operable framework for administering CFA for Project Finance facilities where the Minimum Availability Threshold is not met while the Floor Level is in force, without changing the underlying policy intent.
6. **SC12: Minimum Availability Target**
    - **Change made:** Reduced the Minimum Availability Target for pumped storage hydro projects from 95% to 92.5%.
    - **Purpose:** To respond to stakeholder feedback about the operational characteristics and maintenance requirements of pumped storage hydro facilities by introducing a more proportionate availability threshold while maintaining consumer protection.
    - **Effect:** Provides a more proportionate availability threshold while maintaining incentives to deliver high levels of availability.
7. **SC12: Technical capability obligations**
    - **Change made:** Clarified and strengthened technical capability obligations, including requirements to maintain the facility so that it remains capable of meeting the Schedule B Performance Tests and to comply with operational monitoring and compliance requirements.

   - **Purpose:** To respond to stakeholder feedback on operational capability, monitoring, and regulatory oversight by strengthening the technical capability obligations applying to the Relevant LDES Facility.
   - **Effect:** Supports improved visibility of the facility's capability and operation.

8. **SC12: NESO System Event reporting**
   - **Change made:** Introduced targeted reporting and record-keeping requirements relating to NESO System Events, without creating new dispatch obligations.
   - **Purpose:** To improve visibility of LDES availability and operation during periods of system stress.
   - **Effect:** Requires record-keeping, information provision and enhanced reporting relating to facility availability, operation, and interactions with NESO during system stress events.
9. **SC12: Operation as LDES**
   - **Change made:** Introduced requirements relating to operation consistent with the long-duration capability on which projects were assessed and approved.
   - **Purpose:** To respond to stakeholder concerns about projects operating outside their approved LDES capability envelope.
   - **Effect:** Provides additional monitoring and oversight of operational behaviour and strengthens the framework for ensuring facilities continue to operate consistently with their approved long-duration capability.
10. **SC18: Market participation and anti-gaming framework**
    - **Change made:** Clarified market participation requirements and strengthened anti-gaming provisions, including their interaction with operation as a long-duration storage facility.
    - **Purpose:** To respond to stakeholder concerns about the practicality of a revenue-maximisation duty by establishing a clearer framework for market participation while protecting consumers from gaming and value transfer.
    - **Effect:** Provides a clearer framework governing market participation and operation consistent with the approved LDES capability.
11. **SC25: Delivery Plan**

- **Change made:** Introduced a Delivery Plan framework requiring Authority-approved delivery milestones, ongoing progress reporting, risk reporting and periodic updates.
- **Purpose:** To improve visibility of project delivery progress and provide early warning of emerging delivery risks.
- **Effect:** Requires projects to maintain and report against an approved Delivery Plan.

12. **SC26: Full Commissioning Date obligations**
    - **Change made:** Strengthened the revocation framework and provided earlier intervention mechanisms where delivery risks emerge.
    - **Purpose:** To respond to stakeholder requests for greater clarity about delivery monitoring, improve delivery accountability and transparency regarding project delays, and clarify the interaction between revocation and delivery assurance.
    - **Effect:** Strengthens the delivery assurance framework and provides greater clarity regarding the circumstances in which revocation may be considered.
13. **Schedule B: Performance Test Protocol**
    - **Change made:** Introduced an Authority-approved Test Plan framework; enhanced Commissioning and Periodic Performance Testing requirements; strengthened Independent Certifier provisions; clarified testing under Reference Conditions; and expanded evidential, reporting and assurance requirements.
    - **Purpose:** To respond to stakeholder requests for greater clarity about testing methodologies, certification requirements and ongoing capability verification, and to strengthen assurance of technical capability throughout the regime.
    - **Effect:** Provides a clearer and more robust framework for demonstrating and maintaining technical capability throughout the regime, improves consistency and auditability across technologies, and strengthens assurance that facilities continue to deliver the capabilities recorded in the FSPR.

Appendix B: Summary of how stakeholder feedback has been addressed

Question	Feedback reflected in the revised draft licence and minded-to position	Feedback partially reflected	Feedback not taken forward
Q1 Administrative vs ACOD Approach	Clarified when the Administrative Floor and ACOD Floor apply, the role of the FSPR, ACOD support tracking, repayment terminology and CFA interactions	Further clarification provided on repayment priorities, outstanding balances and interaction with settlement provisions	Did not remove the ACOD framework or collapse the Administrative and ACOD approaches into a single approach
Q2 Market Related Costs and Marginal Cycling Costs	Clarified cost categories, evidence requirements, double-counting treatment and the interaction between MRC, MCC, NCC and Excluded Costs	Clarified degradation-related and replacement-cost treatment within the existing cost framework	Did not fundamentally redesign the cost-classification framework
Q3 Optimiser Fees	Clarified treatment of third-party, related-party and in-house optimisation, and introduced differentiated optimiser fee caps recorded in the FSPR	Moved to a more proportionate cap structure while retaining additional controls for higher-risk arrangements	Did not remove optimiser fee controls or rely solely on general procurement and anti-gaming provisions
Q4 Gross Revenue	Clarified gross reporting, attribution, net-settled transactions, co-location, behind-the-meter arrangements and associated evidence requirements	Provided further clarification on attribution and reporting arrangements	Did not move away from gross revenue reporting or adopt a simplified net basis
Q5 Post-Construction Adjustments	Clarified the PCA process, evidential requirements, benchmark values, project-specific evidence and the economic, efficient and effective assessment	Provided greater transparency on project-specific evidence and how benchmark values may be considered	Did not allow unrestricted recovery of costs above P90 or fundamentally redesign construction risk allocation
Q6 Availability	Reduced the MAT for pumped storage hydro from 95% to 92.5%, clarified full or empty states, Reference Capacity, degradation, EAC methodology and alternative facility-specific methodologies	Provided further clarity on BM parameter mapping, state-of-charge effects and power delivery profiles	Did not remove the EAC/MAT framework, remove the energy-based cross-check, or make endurance testing a standalone determinant of Floor eligibility

Question	Feedback reflected in the revised draft licence and minded-to position	Feedback partially reflected	Feedback not taken forward
Q7 Force Majeure and Exceptional Events	Clarified Force Majeure, Exceptional Events, outage classification, evidence requirements, reporting obligations and interaction with availability assessments	Clarified how sub-P90 risks may still qualify in exceptional circumstances where the event materially exceeds the risk reflected in the register	Did not introduce broader relief mechanisms or wider exclusions from availability consequences
Q8 Backstop and Delay Consequences	Replaced cliff-edge delay consequences with a graduated Backstop Delay Factor and clarified repayment balances, obligations and post-regime treatment	Recognised financeability concerns and moderated delay consequences through BDF recalibration	Did not extend the Backstop Date, introduce explicit grid connection delay relief, or adopt the interconnector-style delay regime
Q9 Revocation Events	Clarified that revocation applies to the LDES special conditions rather than the generation licence as a whole, strengthened the process and introduced the Delivery Plan framework	Responded to concerns about cliff-edge revocation risk by adding earlier delivery monitoring, reporting and the opportunity for representations	Did not remove revocation as a regulatory backstop or limit revocation only to the stakeholder-preferred circumstances
Q10 Post-Regime Treatment	Clarified continuing obligations after the Regime End Date, including repayment, reporting, settlement, audit, record retention and enforcement obligations	Provided further explanation of how outstanding balances continue to be dealt with after the regime ends	Did not remove continuing repayment obligations or fundamentally redesign the post-regime framework
Q11 Financial Resilience	Retained the financial resilience framework and provided further guidance on financial safeguards, gearing, monitoring and related obligations	Clarified the operation of the framework and supporting guidance rather than materially changing the policy	Did not remove the gearing cap or materially weaken the financial safeguards framework
Q12 Structured Transactions and Revenue Maximisation	Replaced the proposed Revenue Maximisation duty with a Market Participation and Anti-Gaming framework, preserving operational flexibility while protecting consumers	Retained anti-gaming and value-transfer protections in revised form	Did not remove consumer protection controls or Authority oversight of market behaviour

Question	Feedback reflected in the revised draft licence and minded-to position	Feedback partially reflected	Feedback not taken forward
Q13 Co-location and Behind-the-Meter	Retained and clarified the Schedule C framework for metering, attribution, shared assets, shared charges, energy losses and reporting	Provided further clarity on operational arrangements and attribution methodology	Did not move to a lighter-touch or simplified attribution regime
Q14 Model Governance and FSPR	Retained the Authority Model Suite and FSPR framework, with clarification on model governance, version control and project-specific parameters	Provided more certainty on parameter management while preserving administrative flexibility	Did not treat all material FSPR changes as licence modifications or freeze broad categories of parameters
Q15 TNUoS Charges	Clarified the treatment of TNUoS charges within the NCC framework and the role of Authority direction and the FSPR	Clarified interaction between NCC and Market Related Costs to reduce double counting risk	Did not adopt full TNUoS pass-through or introduce a separate TNUoS allowance or true-up mechanism
Q16 Proving Windows and Performance Testing	Clarified Schedule B testing, certification, evidence, Reference Capacity and ongoing performance testing requirements	Provided additional clarity on technology-specific testing and assurance arrangements	Did not remove the performance testing framework or change the proposed proving windows
Q17 Developing Policy Areas	Confirmed the approach to deciding what belongs in the licence, RIGs or future decisions, focusing on consumer and system risks that are clear, proportionate and enforceable	Committed to continued evidence gathering, monitoring and future development where issues remain uncertain	Did not codify all developing policy areas immediately in the licence
Q18 System Stress Events	Introduced targeted System Event reporting and information requirements to improve visibility during defined system events	Improved transparency and monitoring without creating a new dispatch-control regime	Did not introduce new dispatch, performance or operational obligations beyond existing NESO, market and code arrangements
Q19 Cybersecurity and Operational Technology Resilience	Recognised the importance of cyber resilience and aligned the LDES approach with wider sector and government cyber policy work	Committed to continued alignment with Ofgem, DESNZ and wider government cyber work	Did not introduce LDES-specific cyber resilience obligations for Window 1

Question	Feedback reflected in the revised draft licence and minded-to position	Feedback partially reflected	Feedback not taken forward
Q20 Algorithmic Optimisation	Relied on existing reporting, audit, information, market participation, structured transaction and procurement provisions and have not introduced a bespoke optimisation framework	Retained a proportionate, outcomes-focused approach that avoids disclosure of commercially sensitive optimisation strategies	Did not introduce a bespoke optimisation governance regime or execution-quality standard
Q21 Hedging Governance	Relied on existing reporting, audit, information and RIGs requirements and have not introduced a bespoke hedging framework	Allowed targeted information requests while preserving licensee freedom to determine hedging strategies	Did not introduce a bespoke hedging disclosure framework
Q22 Repetitive Re-trading	Acknowledged RRT as a wider market issue and linked the position to Ofgem's wider RRT policy work	Committed to keeping the issue under review as wider reforms develop	Did not introduce LDES-specific licence intervention, reporting requirements or threshold tests for RRT at this stage
Q23 Operating as LDES	Strengthened and clarified operate-as-LDES requirements, market participation expectations, evidence requirements and NESO System Event reporting	Preserved commercial flexibility while improving Ofgem's visibility of whether facilities continue to deliver long-duration capability	Did not introduce prescriptive dispatch controls or new operational control arrangements beyond existing market, NESO and code frameworks

Appendix C: Consultation questions

Special conditions

SC1: Definitions and Interpretation
Do you have any views on the definitions and interpretation provisions?

SC2: Application of these Special Conditions
Do you have any views on the application and duration of these Special Conditions?

SC3: Cap Level and Floor Level
Do you have any views on the approach to setting and adjusting Cap and Floor Levels?

SC4: Assessed Revenue and Revenue Netting
Do you have any views on the proposed Assessed Revenue and revenue netting arrangements?

SC5: Cap and Floor Assessment
Do you have any views on the proposed Cap and Floor assessment framework?

SC6: Adjustments to Licensee Revenue
Do you have any views on the proposed revenue adjustment arrangements?

SC7: Post-Construction Adjustments
Do you have any views on the proposed post-construction adjustment framework?

SC8: Opex Reassessment
Do you have any views on the proposed Opex reassessment arrangements?

SC9: Delay, Force Majeure and Cost Overruns
Do you have any views on the proposed treatment of delay, Force Majeure and cost overruns?

SC10: Non-Controllable Operational Costs
Do you have any views on the proposed treatment of Non-Controllable Operational Costs?

SC11: Within-Period Adjustment
Do you have any views on the proposed Within-Period Adjustment mechanism?

SC12: Technical Capability, Availability and Floor Eligibility

Do you have any views on the proposed technical capability, availability and Floor eligibility requirements?

SC13: Cap and Floor Financial Model Governance

Do you have any views on the proposed financial model governance arrangements?

SC14: Information, Reporting and Audit

Do you have any views on the proposed information, reporting and audit requirements?

SC15: Regulatory Accounts

Do you have any views on the proposed Regulatory Accounts requirements?

SC16: Financial Safeguards

Do you have any views on the proposed financial safeguards arrangements?

SC17: Financial Resilience

Do you have any views on the proposed financial resilience requirements?

SC18: Market Participation and Anti-Gaming

Do you have any views on the proposed market participation and anti-gaming requirements?

SC19: UK REMIT

Do you have any views on the proposed UK REMIT obligations?

SC20: RIGs

Do you have any views on the proposed RIGs framework?

SC21: Structured Transactions

Do you have any views on the proposed Structured Transactions provisions?

SC22: Procurement

Do you have any views on the proposed procurement requirements?

SC23: Decommissioning

Do you have any views on the proposed decommissioning arrangements?

SC24: Status of the FSPR

Do you have any views on the proposed FSPR arrangements?

SC25: Delivery Plan

Do you have any views on the proposed Delivery Plan requirements?

SC26: Obligation to Achieve the Full Commissioning Date

Do you have any views on the proposed Full Commissioning Date obligations?

SC27: Disposals

Do you have any views on the proposed disposals provisions?

Schedules

Schedule A: ACOD Floor Level Schedule

Do you have any views on the proposed ACOD Floor Level arrangements?

Schedule B: Performance Test Protocol

Do you have any views on the proposed Performance Test Protocol?

Schedule C: Co-location and Behind-the-Meter Generation

Do you have any views on the proposed co-location and behind-the-meter generation arrangements?