

# Unlocking Capacity Market revenue for renewable energy generators

Replace lost income when current subsidies expire



## The Opportunity

Important subsidies that have been paid to renewable energy generators for more than a decade are coming to an end.

Does your business have a plan to replace lost income when your subsidies expire?

Many of the affected businesses will become eligible for payments that they were previously excluded from, including National Grid's energy resilience scheme; the Capacity Market.

Capacity Market participation is a low-effort, bankable source of income. For eligible landfill gas, biomass, sewage gas and hydroelectric generators, it offers a means to protect the continued financial viability of their operations.

## Who is eligible

Any renewable generator, with generation capacity of 1MW or more, and that has been in receipt of Renewables Obligation (RO) or Feed in Tariff (FiT) payments will be eligible as soon as their RO and FiT contract expires.

## The Capacity Market

The Capacity Market (CM) is the primary mechanism through which the National Energy System Operator (NESO) secures future electricity capacity to meet peak demand. It works by compensating energy users and energy generators for making electrical capacity available when the grid is under stress. Renewable energy generators that currently benefit from Renewables Obligations or Feed in Tariffs cannot take part in the Capacity Market. The end of these subsidies will change that. When a scheme's subsidy contract ends, it will then be eligible to participate in the Capacity Market.

## How it works

If the Capacity Market is called upon to support the grid during a stress event, generation sites with capacity agreements will receive at least four hours-notice to prepare to generate their contracted capacity. If the site is already generating at contracted levels, their obligation is met, and no further action is required. In return, they receive a fixed capacity payment (£/kW/year) irrespective of whether there is a grid event or not. The Capacity Market has not been called on since it was launched in 2014. Nonetheless, participants have been paid every year. Fig. 1 below shows an example of a potential revenue scenario.

Figure 1

## Revenue Scenario

Flexibility Programme:  
**GB Capacity Market**

Asset Type:  
**Generation**

Market Position:  
**10MW**

Period:  
**Oct 2027 – Sep 2029**

Revenue (Gross):  
**£1.25 Million**





## Operational Effort

Enel X manages the entire application process on your behalf. From site evaluation to testing and regulatory approval, there is no administrative burden placed on the plant operator. Once a site has been enrolled, if the Capacity Market (CM) is called upon to support the grid during a stress event, generation sites with capacity agreements activate their pre-defined Capacity Market plan:

### 1. Respond to a Capacity Market Warning (CMW)

The National Grid ESO will issue a Capacity Market Notice (CMN) **at least four hours before** an expected system stress event. Contracted capacity providers should prepare to generate if they are not already doing so.

### 2. Maintain Agreed Capacity Output

The site must generate at the capacity committed for the duration of the system stress event (approximately 2 – 4 hours).

### 3. Plant Operation Prioritisation

Should a site's ability to meet its Capacity Market commitment during a grid stress event change due to operational reasons, they can withdraw without incurring a penalty.

## Financial benefits of Capacity Market participation

Capacity Market participation is a low-effort and bankable source of income. With rising operational costs and the withdrawal of key subsidies, the Capacity Market represents a compelling opportunity for eligible landfill gas, biomass, sewage gas and hydroelectric generators to unlock new revenue streams:

### Capacity Payments

Participants receive a fixed annual payment (£/kW) for committing capacity, **regardless of actual dispatch**.

### Revenue Stacking

Capacity Market payments can be combined with wholesale market revenues, balancing services, and embedded benefits.

### Timing

Enel X is already filing Capacity Market positions for 2026 and beyond. Availability is limited and demand is high. If your subsidy is due to expire over the next 3 years, **the time to secure your place is now**.

# Your energy partner

Enel X is part of the Enel Group, a global energy company with a rich history spanning over 60 years. In the UK and Ireland, we have been enabling industrial scale energy generators and energy users to access the Capacity Market since it was introduced 10 years ago.

We work hard to add value to any organisation by offering unmatched expertise in UK and Ireland energy markets, energy flexibility programmes and regulatory affairs, all backed by the financial stability and global reach of an Enel Group company.

Our Team is ready to help you explore this opportunity further. **Book your free consultation** to evaluate the revenue potential for your business.



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**Book your free consultation**

