



# **SINGLE ELECTRICITY MARKET COMMITTEE**

## **All-Island System Services Supplier Charge**

### **Decision Paper**

**SEM-25-007**

**13 March 2025**

## 1 EXECUTIVE SUMMARY

The SEM Committee's Decision on System Services Future Arrangements Phase III: Detailed Design & Implementation<sup>1</sup> required the TSOs to consult on and submit a Recommendations Paper, to the SEM Committee, on the new All-Island System Services Supplier Charge (the "FASS Charge"). The TSOs published the All-Island System Services Supplier Charge Consultation Paper<sup>2</sup> on 31 July 2024 and based on the fifteen responses, to the paper, issued an All-Island System Services Supplier Charge Recommendations Paper (Annex 1), to the RAs, on 29 November 2024. This paper sets out the TSOs' recommendations to the SEMC regarding the implementation of the FASS Charge, reflecting the feedback received on the Consultation Paper through stakeholders' written responses and input to the industry workshop<sup>3</sup>.

The RAs have reviewed the TSOs' Consultation paper, the responses received to this Consultation paper and have engaged with the TSOs and industry members in order to ensure a comprehensive consideration of all the issues raised in the development of this decision. Based on this review the SEM Committee has decided to largely approve the TSOs' recommendations, subject to certain caveats.

The SEM Committee's decisions, in relation to the TSOs' recommendations, are summarised as follows:

- The forecast cost of System Services for the purpose of setting the FASS Charge will relate to:
  - a) the DASSA, net of Compensation Payments, and including any real-time security payments (subject to design, consultation and SEMC decision); and
  - b) any contracts awarded under the Layered Procurement Framework (LPF) and the Fixed Contracts Framework.
- The forecast cost will be included in a report submitted, by the TSOs, to the RAs, for approval each year, along with the other values relevant to the setting of the FASS Charge Rate.
- The timeline for setting of the FASS Charge Rate will align with the existing tariff setting timelines. The first forecast cost submission will be made by 31 May 2026, with a presentation of assumptions made to the Regulatory Authorities by 30 April 2026. An indicative forecast is also requested to be provided by October 2025 given the programme is currently in the detailed design and implementation phase and enters Phase 4 Operating Model Establishment and Onboarding, we consider the programme is sufficiently developed and designed to be able to provide indicative forecast cost estimates.
  - Any final settlement of DS3 tariff-related charges that is required, post go-live of the FASS arrangements, will go through the existing charges, and not the FASS Charge.

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<sup>1</sup> SEM-23-103

<sup>2</sup> FASS-Charge-Consultation-Paper-July-2024-EirGrid.pdf; All-Island System Services Supplier Charge Consultation Paper | SONI Consultation Portal

<sup>3</sup> TSO industry workshop held on 5 September 2024.

- The k-factor will comprise the actual k-factor for the Y-2 year, and an estimated Y-1 k-factor.
- The All-Island Demand forecast will be used in setting the FASS Charge Rate.
- The FASS Charge Rate will be calculated as follows for year, y:

$$\text{FASS Charge Rate Y (€/MWh)} = (\text{Forecast Cost Y} + \text{K-Factor}^4) / \text{Forecast Demand Y}$$

- The FASS Charge will be calculated on an Imbalance Settlement Period basis, with each TSO calculating the FASS Charge for each All-Island Supplier Unit,  $v$ , in their jurisdiction, in each Imbalance Settlement Period,  $\gamma$ , as follows:

$$\text{FASS Charge}_{v\gamma} = \text{QMLF}_{v\gamma}^5 \times \text{FASS Charge Rate} \times \text{FCFASS}_y$$

Where:  $\text{QMLF}_{v\gamma}$  is the Loss-Adjusted Metered Quantity for Supplier Unit,  $v$ , in Imbalance Settlement Period,  $\gamma$ , in the SEM. The use of the All-Island demand data from the SEM i.e. the QMLF, means that storage volumes are not included in the calculation of the FASS Charge. This is because load from storage is treated as negative generation in the SEM, rather than demand. It is noted that this is a change to the status quo in Ireland for recovery of system services costs under DS3; and

Where:  $\text{FCFASS}_y$  represents the FASS Charge Factor. By default  $\text{FCFASS}_y$  will be set to 1 at the start of each tariff year

- The total FASS Charge for the given Charging Period will be:

$$\text{FASS Charge}_{vCP} = \sum \text{FASS Charge}_{v\gamma}$$

- The settlement timeframes for payments to service providers under FASS should be set such that monies will be collected in from Suppliers through the FASS Charge before payments out are due.
- The FASS Charge settlement timeframes will be the same as the existing Transmission Use of System (TUoS) Charges settlement timeframes employed by each TSO.
- Provision should be made for within year adjustment to the FASS Charge Rate in circumstances where the approved FASS Charge Rate either:
  - a) does not provide for the adequate recovery of anticipated costs and such under recovery is such that it is not appropriate to include as an adjustment in subsequent Years; or
  - b) over provides for the recovery of anticipated costs and such over recovery is such that it is not appropriate to include as an adjustment in subsequent Years.

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<sup>4</sup> Where the k-factor will comprise the actual k-factor for the Y-2 year and an estimated Y-1 k-factor.

<sup>5</sup> Where a Supplier's QMLF is negative, this QMLF is set to zero to prevent Suppliers being paid out the FASS Charge. This is consistent with the treatment of export-only Suppliers under the Trading & Settlement Code.

In such a scenario the TSOs will submit to the RAs a proposal to adjust the FASS Charge Factor to mitigate same, detailing the proposed adjustment and the associated revised FASS Charge Rate for SEM Committee Approval. The notice period to apply in advance of implementation of an Adjusted FASS Charge Rate within year will allow for the notice period that Suppliers are required to give their customers before introducing price changes. It should be noted that this within year adjustment can occur at any time within the tariff year but as a minimum a review should be carried out at the mid-year point.

In addition to the TSO review process there will also be a quarterly adjustment mechanism. This mechanism will trigger minor adjustments to the rate in cases where deviations are within an upper and lower bound.

- Settlement rules defined in the FASS Code will address the scenario where the aggregate amount that the TSOs are due to pay System Services providers, in respect of a settlement period, exceeds the available funds. Such funds being the aggregate of the available revenues recovered via the FASS Charge and the available funds under the TSOs' proposed working capital facilities. In this situation, only once the available funds are exhausted, the TSOs would reduce the payments owed pro-rata across System Services providers until the total payment can be met with the funds available. The SEM Committee would like to highlight that this is a measure of last resort and note that a similar provision exists in the Trading and Settlement Code, which has never been invoked. Furthermore, the inclusion of the potential for a within year adjustment to the FASS charge should help to mitigate the risk of payments having to be pro-rated.
- The FASS Code will be used as the legal basis for the FASS Charge. This approach is contingent on the necessary modifications to Supplier licences having been made to include an obligation to accede to the FASS Code.
- The SEM Committee agrees that a consultation process would be required before a trading period-based charging approach could be implemented. The SEM Committee requires that systemisation to allow the charging of FASS on a more granular basis, up to and including on a trading period basis is consulted on within 12 months of the go-live of the DASSA arrangements.
- If the FASS Charge is not implemented in advance of go-live of the DASSA arrangements, then the existing mechanisms for recovery of DS3 costs will be used on a temporary basis.

This SEMC Decision Paper should be read in conjunction with the TSOs' Recommendation Paper.

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## 2 INTRODUCTION

The SEM Committee's System Services Future Arrangements (SSFA) High Level Design Decision<sup>6</sup>, decided that, *'initially, the SSFA should be funded through a supplier-based MWh charge. This means that the cost of system services will be estimated by the TSOs on an annual basis and approved by the Regulatory Authorities (RAs). This will then be charged to suppliers based on demand in each trading period. As market behaviours become better understood and the relationship between energy costs and system services costs become clearer the SEM Committee may move to a trading period-based charge.'* In the SEM Committee SSFA HLD Decision (SEM-22-012), it was decided that System Services providers will receive payments from the TSOs, with the TSOs recovering the associated costs through a new standalone All-Island charge imposed on Suppliers (who may in turn recover this from their customers). The SEM Committee decided that this new charge will:

- Initially be set on an annual basis, with the annual cost to be forecast by the TSOs and subject to regulatory approval.
- Be recovered from Suppliers through a per MWh tariff, set by reference to an annual All-Island electricity demand forecast, projected by the TSOs.
- Incorporate a k-factor mechanism to account for any deviation between the estimated and actual costs, with the k-factor to be calculated by the TSOs and subject to regulatory approval.

The SEM Committee's Decision on System Services Future Arrangements Phase III: Detailed Design & Implementation<sup>7</sup> then required the TSOs to consult on and submit a Recommendations Paper to the SEM Committee on the new All-Island System Services Supplier Charge (the "FASS Charge"). The TSOs published the All-Island System Services Supplier Charge Consultation Paper<sup>8</sup> on 31 July 2024 and based on the fifteen responses to the paper issued an All-Island System Services Supplier Charge Recommendations Paper (Annex 1), to the RAs, on 29 November 2024. This paper sets out the TSOs' recommendations to the SEM Committee regarding the implementation of the FASS Charge, reflecting the feedback received on the Consultation Paper from stakeholders' written responses and input to an industry workshop.

The RAs have reviewed the TSOs' consultation paper, the responses received to this consultation paper and have engaged with the TSOs and industry members in order to ensure a comprehensive consideration of all the issues raised in the development of this decision. Based

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<sup>6</sup> SEM-22-012

<sup>7</sup> SEM-23-103

<sup>8</sup> FASS-Charge-Consultation-Paper-July-2024-EirGrid.pdf; All-Island System Services Supplier Charge Consultation Paper | SONI Consultation Portal

on this review the SEM Committee has decided to largely approve the TSOs' recommendations, subject to certain caveats.

Outlined below are some of the areas that received the most critique from respondents to the TSOs' consultation and the SEM Committees' comments on these points. This SEM Committee Decision Paper should be read in conjunction with the TSOs' Recommendation Paper.

## 3 KEY AREAS

The RAs questioned all aspects of the TSOs' Recommendation Paper and considered all the responses to the TSOs' consultation paper. Nevertheless, there were certain aspects of the TSOs' Recommendation Paper and the associated consultation responses that were of particular importance to the RAs and required some engagement with the TSOs to resolve. These areas are detailed in the sections below.

### 3.1 Cashflow Risk

Question 8 in the TSOs' Consultation Paper asked respondents to comment on whether or not they agreed *'with the TSOs' proposed methodology for implementing the FASS charge (including cashflow risk)?'* Respondents to the consultation were understandably against the proposition that the TSOs would have the ability to reduce payments owed pro rata across system services providers where there is a shortfall in TSO funds. The SEM Committee agrees with respondents in that the TSOs are in a better position to bear this working capital requirement and questioned the TSOs on the rationale for their approach. The TSOs advised that such a facility would be 'very much a last resort and that such a backstop was required for financing purposes. The TSOs also made reference to a similar provision in the Trading and Settlement Code (TSC), which states that *'If the distributable amount is not sufficient to pay all Participants the amounts to which they are entitled under paragraph F.22.3.2 in full, then the distributable amount is to be distributed amongst the relevant Participants pro rata according to the Reductions in Payment they suffered, with the process in that paragraph repeated until such time as each Participant has been reimbursed in aggregate the amount of the Reduction in Payment it suffered.'*

#### 3.1.2 SEMC Decision

Given that a similar provision in the TSC exists and has yet to be invoked, the SEM Committee is satisfied that the risk posed to providers by the inclusion of this facility within the System Services Code is minimal. However, in light of respondents concerns the SEM Committee has decided to include a quarterly adjustment mechanism with triggers to adjust the FASS Charge Factor as an additional layer of protection before this facility would be invoked.

The SEM Committee therefore approves the ability of the TSOs to reduce payments owed pro-rata across System Services providers in circumstances of a persistent shortfall in monies collected. Wording similar to the suspend and accrue arrangements under the Trading and Settlement Code will be included under the System Services Code to reflect this. The TSOs will proactively monitor ongoing expenditure relative to its working capital facility and will make every effort to avoid any adjustments to payments using the cashflow management mechanisms available under the arrangements.



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## 3.2 Within Year Adjustment to FASS Charge Rate

The TSOs recommended that provision be made for Within Year Adjustment to the FASS Charge Rate in circumstances where the approved FASS Charge Rate either:

- a) does not provide for the adequate recovery of anticipated costs and such under recovery is such that it is not appropriate to include as an adjustment in subsequent Years or
- b) over provides for the recovery of anticipated costs and such over recovery is such that it is not appropriate to include as an adjustment in subsequent Years.

### 3.1.3 SEMC Decision

The SEM Committee agrees with this recommendation and the TSOs' proposition that *'in such a scenario the TSOs will submit to the RAs a Within Year Adjustment, detailing the level of deviation and the proposed Adjusted FASS Charge Rate to mitigate same for RA Approval. The notice period to apply in advance of implementation of an Adjusted FASS Charge Rate within year will allow for the notice period that Suppliers are required to give their customers before introducing price changes. The TSOs considered that clear criteria, in terms of rates of over- or under-recovery, for triggering a review of the need to adjust the FASS Charge Rate should be defined.'*

In terms of the criteria for triggering a review of the need to adjust the FASS Charge Rate the SEM Committee does not want to be overly prescriptive in terms of when a review can be considered but the TSOs will need to provide evidence that a change in the FASS Charge Rate is necessary. Any review will need to take into account the seasonality and fluctuations associated with FASS payments, and in the later stages of the year should account for what is already included under the k-1 factor to providers so as not to make any unnecessary changes to the FASS Charge Rate.

It should be noted that this within year adjustment can occur at any time within the tariff year but as a minimum a review should be carried out at the mid-year point. This should help to reduce the volatility of the k-factor, particularly in the early years of the arrangements where forecasting costs may be difficult and also minimize the risk of the TSOs having to pay providers on a pro rata basis.

In addition to the TSO review process there will also be a quarterly adjustment mechanism. This mechanism will trigger minor adjustments to the rate in cases where deviations are within an upper and lower bound.

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### 3.3 Annual Vs Granular Charge - IT Requirements

Question 12 in the TSOs' Consultation Paper asked respondents to comment on whether they *'had any concerns around the impact of the TSOs' assessment of the required IT system design on your system readiness (including granularity of charging)?'*

The SEM Committee agrees that a consultation process would be required before a trading period based charging approach could be implemented. In their Recommendations paper, the TSOs assert that *'the methodology set out in this paper ensures that the FASS Charge Rate can vary on an Imbalance Settlement Period (and therefore DASSA Trading Period) basis.'* The TSOs further advise that, *'Adding the functionality to calculate the FASS Charge Rate on a trading period basis will only become possible once the detailed design of a granular charge is developed, and as such only an annual charge will be delivered for FASS go-live.'* This is not in line with what the SEM Committee requested in the High-Level Design Decision paper<sup>9</sup>, where it was stated that *'A supplier-based MWh charge in line with option 2 in the consultation paper will be implemented initially. As market behaviours become better understood and the relationship between energy costs and system services costs becomes clearer the SEM Committee may move to Option 3, i.e. a trading period based charge. This decision will be provided for in the systemisation that will be undertaken by the TSOs following the publication of this decision paper.'*

#### 3.1.4 SEMC Decision

The SEM Committee requires that systemisation to allow the charging of FASS on a more granular basis, up to and including on a trading period basis is consulted on within 12 months of the go-live of the DASSA arrangements.

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<sup>9</sup> SEM-22-012

## 4 SEMC DECISIONS

The SEM Committee decisions are listed below and should be implemented by the TSOs.

### 4.1 Forecast cost of System Services

**SEM Committee Decision:** The forecast cost of System Services for the purpose of setting the FASS Charge will relate to:

- the DASSA, net of Compensation Payments, and including any real-time security payments (subject to design, consultation and SEMC decision); and
- any contracts awarded under the Layered Procurement Framework (LPF) and the Fixed Contracts Framework.

The forecast cost will be included in a report submitted by the TSOs to the RAs for approval each year, along with the other values relevant to the setting of the FASS Charge Rate.

The timeline for setting of the FASS Charge Rate will align with the existing tariff setting timelines, such that the TSOs will submit a report to the RAs sufficiently in advance of the start of each Tariff Year containing the values to be used in the calculation of the FASS Charge for that year. The first forecast cost submission will be made by 31 May 2026, with a presentation of assumptions made to the Regulatory Authorities by 30 April 2026. An indicative forecast is also requested to be provided by October 2025 given the programme is currently in the detailed design and implementation phase and enters Phase 4 Operating Model Establishment and Onboarding, we consider the programme is sufficiently developed and designed to be able to provide indicative forecast cost estimates.

The RAs will then assess and approve the submission, with the final approved values to be published, by the TSOs, within 5 days of the RAs' decision. The RAs may determine that a public consultation, including publication of the TSOs' submission, is appropriate as part of their assessment.

The All-Island Demand forecast will be used in setting the FASS Charge Rate.

### 4.2 DS3 Related Charges

**SEM Committee Decision:** Any final settlement of DS3-related charges that is required post go-live of the FASS arrangements will go through the existing charges, and not the FASS Charge.

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### 4.3 K-Factor

**SEM Committee Decision:** The k-factor will comprise the actual k-factor for the Y-2 year, and an estimated Y-1 k-factor.

### 4.4 FASS Charge Calculation

**SEM Committee Decision:** The FASS Charge Rate will be calculated as follows for year, y:

$$\text{FASS Charge Rate Y (€/MWh)} = (\text{Forecast Cost Y} + \text{K-Factor}^{10}) / \text{Forecast Demand Y}$$

### 4.5 FASS Charge Period

**SEM Committee Decision:** The FASS Charge will be calculated on an Imbalance Settlement Period basis, with each TSO calculating the FASS Charge for each All-Island Supplier Unit,  $v$ , in their jurisdiction, in each Imbalance Settlement Period,  $\gamma$ , as follows:

$$\text{FASS Charge}_{v\gamma} = \text{QMLF}_{v\gamma}^{11} \times \text{FASS Charge Rate} \times \text{FCFASS}_{\gamma}$$

Where FCFASS $_{\gamma}$  represents the FASS Charge Factor. By default FCFASS $_{\gamma}$  will be set to 1 at the start of each tariff year.

### 4.6 FASS Charge Period

**SEM Committee Decision:** The total FASS Charge for the given Charging Period will be:

$$\text{FASS Charge}_{vCP} = \sum_{\gamma=1} \text{FASS Charge}_{v\gamma} \text{ CP}$$

### 4.7 Settlement timeframes

**SEM Committee Decision:** The settlement timeframes for payments to service providers under FASS should be set such that monies will be collected in from Suppliers through the FASS Charge before these payments out are due.

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<sup>10</sup> Where the k-factor will comprise the actual k-factor for the Y-2 year, an estimated Y-1 k-factor and any associated quarterly k-factor or within year adjustments to the FASS Charge Rate.

<sup>11</sup> Where a Supplier's QMLF is negative, this QMLF is set to zero to prevent Suppliers being paid out the FASS Charge. This is consistent with the treatment of export-only Suppliers under the Trading & Settlement Code.

The FASS Charge settlement timeframes will be the same as the existing TUoS settlement timeframes employed by each TSO.

#### 4.8 Within Year Adjustment

**SEM Committee Decision:** Within Year Adjustment to the FASS Charge Rate can be made in certain circumstances. Within Year Adjustment to the FASS Charge Rate will be done through adjusting the FASS Charge Factor, and can be made where the approved FASS Charge Rate either:

- a) does not provide for the adequate recovery of anticipated costs and such under recovery is such that it is not appropriate to include as an adjustment in subsequent Years or
- b) over provides for the recovery of anticipated costs and such over recovery is such that it is not appropriate to include as an adjustment in subsequent Years.

This within year adjustment can occur at any time within the tariff year but as a minimum a review should be carried out at the mid-year point.

In addition to the TSO review process there will also be quarterly adjustment mechanism. This mechanism will trigger minor adjustments to the rate in cases where deviations are within an upper and lower bound.

#### 4.9 Cashflow Risk

**SEM Committee Decision:** Where the aggregate amount that the TSOs are due to pay System Services providers, in respect of a settlement period, exceeds the available funds. (such funds being the aggregate of the available revenues recovered via the FASS Charge and the available funds under the TSOs' proposed working capital facilities) the TSOs would reduce the payments owed pro-rata across System Services providers until the total payment can be met with the funds available. The SEM Committee would like to highlight that this is a measure of last resort and note that a similar provision exists in the Trading and Settlement Code, which has never been invoked.

The decisions set out in this paper provide for k-factors and within year adjustments which, taken together, should be sufficient to mitigate cash flow risk in most circumstances. The TSOs will proactively monitor ongoing expenditure relative to its working capital facility and will make every effort to avoid any adjustments to payments the cashflow management mechanisms available under the arrangements.

#### 4.10 System Services Code as Legal Basis

**SEM Committee Decision:** The System Services Code will be used as the legal basis for the FASS Charge. It is noted that approach may be contingent on the necessary modifications

within Supplier licences and the SEM Committee will consider licence issues under the licensing workstream.

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#### 4.11 Trading period basis

**SEM Committee Decision:** The SEM Committee requires that systemisation to allow the charging of FASS on a more granular basis, up to and including on a trading period basis to be consulted on within 12 months of the go-live of the DASSA arrangements. Any IT solution to implement any resulting changes must be implemented in as timely a manner as possible.

#### 4.12 Delay backstop

**SEM Committee Decision:** If the FASS Charge is not implemented in advance of go-live of the DASSA arrangements, then the existing mechanisms for recovery of DS3 costs will continue be used on a temporary basis.

## 5 NEXT STEPS

Following this SEMC Decision Paper the TSOs and RAs will work together to implement the decided upon arrangements in accordance with the Phased Implementation Roadmap<sup>12</sup>.

### 5.1 Next Steps

Should stakeholders have any queries or comments please contact Dylan Ashe ([dashe@cru.ie](mailto:dashe@cru.ie)) or Bronagh McKeown ([bronagh.mckeown@uregni.gov.uk](mailto:bronagh.mckeown@uregni.gov.uk)).

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<sup>12</sup> [FASS-TSOs-PIR-September-2024-EirGrid.pdf](#)