Single Electricity Market

(SEM)

SEMO 2024 – 2029 Price Control

Final Determination

SEM-25-034

01 July 2025

EXECUTIVE SUMMARY

Background

SEM Committee's (SEMC) consultation (SEM-25-002) was published on 28 February 2025 on the next SEMO price control. The consultation outlined price control proposals including views expressed from the SEMO Working Group. The Working Group comprises a broad range of participants and industry bodies. The group acknowledged that SEMO was evolving during this price control period as result of internal and external drivers. In order to facilitate changes, participants considered that SEMO should focus on both efficient and effective delivery of Business-as-Usual (BAU) activities and early and ongoing engagement with market participants when making market changes.

A summary of the price control consultation proposals is as follows:

	SEMO Request 2024-29	RAs' consultation proposals
Opex	€124.937M	€111.402M
Capex	€68.578M	€67.093M
KPIs	Pot – 4% of opex per year, €0.900M per year; Incentive – Asymmetrical; No. of KPIs – existing 4 + 1 additional; Amendments to bounds	Pot – €0.500M per year; Incentive – Symmetrical; No. of KPIs – existing 4; Amendments to bounds
Cost-Sharing	Similar to SONI (25:75)	Mechanical cost sharing of 25:75; Applied to core + delta opex
Cloud Re-opener	Re-opener to facilitate exchangeability between opex & capex	Re-opener to facilitate exchangeability of cloud opex to capex
Financeability	Blended with True-up; Year 1 – 3.86% Year 2 to 5 – 4.77%	Blended; Year 1 & 2 – 3.86% Year 3 to 5 – 4.77% [subject to TSOs price control determinations]
PCG	Retain receipt of PCG (€0.3M)	Retain receipt of PCG €0.3M

Revenue Collection Margin	Retain margin for collection agent activity at least at 0.25% per year	No margin for collection agent activity except for the 1st year of the PC which is €0.65M.

Table A: Summary of 2024-29 SEMO price control consultation proposals

Summary of responses

Three responses[1] were received to the consultation from:

- Energia
- Energy Storage Ireland (ESI)
- SEMO

The SEMC wishes to thank all respondents for their input.

The SEMO Governing Committee submitted a letter on 9 May requesting direct engagement with SEMOC and SEMC around concerns of the proposed framework underpinning the financeability of the respective Market Operator Licensees. SEMOC agreed with the request and met with SEMO on the 23 May. Following this, the RAs had further meetings for clarification with SEMO, one with both sets of financeability consultants and another on the incentivisation proposals from the draft determination.

SEMO's correspondence suggested a number of adjustments that could be made by the SEMC:

- The proposed allowances for opex and capex need to be reviewed and increased to avoid the potential for an inevitable under-recovery that would leave the business unable to withstand any adverse events.
- A Revenue Collection Margin should be reinstated in the allowed revenues to provide appropriate recompense for undertaking collection agent activities. It is proposed that at least a 25bps margin is included. This is an increase from 0.1% margin allowed in the last year of the previous price control.
- The allowed return needs to be calculated on a correct blended basis including the EirGrid TSO operational gearing margin (18.75 bps on collected revenues taking into consideration the ROI portion only).

[1] SEMO's response was marked as 'confidential and commercially sensitive – not for publication'. A redacted version of SEMO's response was provided and has been published alongside this decision.

- In addition, the updated allowed return values need to apply from year 2 of the price control, irrespective of when decisions are made by the respective RAs on the TSO WACCs. For the SONI portion this will require an update for movement in market values to be made with potential ex-post reconciliation when an updated WACC from SRP27 is available.
- There needs to be recompense for the asymmetric risks. SEMO have used 3% new margin on “costs” for asymmetric risk.

SEMO provided comments and evidence on several of the capex and opex disallowances proposed by the RAs. SEMO requested clarification around the Cloud-capex re-opener mechanism and the treatment of delta opex within tariffs. On KPIs, SEMO provided further proposals around two of the proposed KPIs and expressed concerns around the overall perceived downside risk resulting from a combination of tighter KPI bounds and the introduction of symmetric incentives.

The responses received from the other respondents were generally positive. In their response, Energia supported the KPI proposals around symmetric nature and raising of bounds. In addition, the capex and opex proposals set out by the RAs were supported, noting the importance of efficient spending leading to benefits for market participants. Energia supported the removal of the collection agent margin.

ESI’s response outlined the role that Long Duration Energy Storage (LDES) and market changes will have over the price control period, with SEMO’s capital and operating expenditure reflecting the scale and importance of these reforms, while maintaining appropriate cost control and transparency mechanisms.

The RAs and SEMC have considered all responses received when compiling this decision. The RAs met with SEMO several times following the submission of their consultation response, including with SEMOC and respective consultants. SEMO provided a further written response to the RAs on the 11 June 2025 (KPI and delta opex queries) and on the 13 June 2025 (on Financeability following the meeting with SEMOC on the 23 May 2025).

Opex

The total opex allowance for FY2024-29 is €113.2M.

This compares to a proposed allowance of €111.4M at consultation, SEMO’s request for €124.9M and SEMO’s actual costs incurred for 2021-24 which was €39.0M.

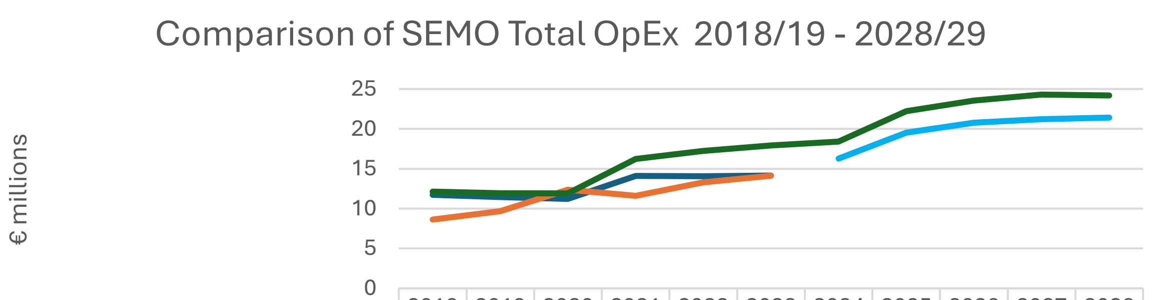
The SEMC has decided to amend the following since consultation:

- additional budgeted expenditure for SEMO ERP Solution of €1.773M (€2.634M - €0.861M) for 2024/25 following SEMO's response outlining delays within the wider Group implementation delaying SEMO's deployment

Elements of SEMO's price control submission considered in the RAs' consultation which are unchanged in the SEMC final determination include:

- No further increase to SEMO's internal resources (FTEs): the RAs propose to maintain the 15.5 additional FTEs that were proposed in the Draft Determination. It is within SEMO's own commercial decision-making capabilities to allocate/re-allocate staff within the entity during a price control period.
- High Level Analysis and Design (HLAD): As recommended by our capex consultants, we are not minded to change the HLAD allowance as proposed in the Draft Determination. Similarly, with regards to IT Assessment and Business Resilience components of HLAD, the RAs are minded not to change the draft determination proposal.

The total opex allowance for 2024-29 is €113.2M which equates to an annual opex allowance of c.€22.6M; this compares to SEMO's actual expenditures from 2018/19 – 2023/24 as depicted in the chart below.



	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
SEMO Price Controls	11.7	11.5	11.2	14.1	14.1	14.1					
SEMO Actuals	8.6	9.7	12.4	11.6	13.3	14.1					
SEMO Submission (exc Cloud)	12.1	11.9	11.9	16.2	17.2	17.9	18.4	22.2	23.6	24.3	24.2
RAs Proposal (exc Cloud)							16.3	19.5	20.8	21.2	21.4

Figure A: Comparison of opex from 2018/19-2028/29

A high-level breakdown of key operating cost categories which were analysed for the purposes of determining an opex allowance is shown below:

2024-2029 SEMC decision: Opex	**SEMO submission**	**RAs' consultation proposals**	**Additional allowance since consultation**	**SEMC Decision**
Overall	€124.937M	€111.402M	+€1.773M Cloud opex	**€113.175M**
Breakdown by category				
Delta opex	€23.950M	€23.950M	N/A	**€23.950M**
Cloud opex	€12.261M	€12.213M	+ €1.773M for ERP project - SEMO submission outlined a delay in the final year of previous PC- RAs and consultants accept rationale	**€13.986m**
'Core' opex (excludes Delta & Cloud)	€88.726	€75.238M	N/A	**€75.238M**

Table B: Breakdown of key opex categories: request and SEMC decision

Capex

SEMO also requested a review and increase in capex as part of their response. The RAs proposed to allow in full SEMO's request for €32.2M for Market System Release, €6.8M for Market System Release Support and €10.5M for Unpredictable Business Capex. The RAs proposed to allow €17.7M of SEMO's €19.2M Predictable Business Capex request for the 2024/29 price control.

Compared to a proposed capex allowance of €67.1M, the RAs are minded to allow €67.8M (allowing an additional €0.7M for the Data Centre Transformation Project following further justification of year 1 costs which was accepted by our IT consultants). This is 99% of SEMO's request (for €68.6M).

2024-2029	SEMO submission	RAs' consultation	Additional allowance	SEMC Decision
Capex[2]	€68.578M	€67.093M	+0.736M- predictable capex	**€67.829M**
Breakdown by category:				
Market System releases	€32.162M	€32.162M	n/a	**€32.162M**
System Release Support	€6.752M	€6.752M	n/a	**€6.752M**
Predictable	€19.164M	€17.679M	+0.736M-Data Centre Project-SEMO provided further justification of year 1 costs- accepted by RA consultants	**€18.145M**
Unpredictable	€10.500M	€10.500M	n/a	**€10.500M**

Table C: Breakdown of key capex categories: request and SEMC decision

The RAs can confirm that the capex-cloud exchange mechanism will be bi-directional, allowing costs to flow in either direction. This exchange via a reopener mechanism has been introduced to facilitate the exchangeability of cloud projects opex into predictable capex and vice versa, providing flexibility to manage IT needs dependent on demonstrating benefits for consumers.

Incentivisation

Opex

An ex-ante approach to setting opex allowances will continue to apply to this price control and, consistent with the approach taken in previous SEMO price control decisions, the RAs expect to continue to incentivise SEMO's opex via revenue cap (RPI-X) regulation.

Within the current 2021–2024 SEMO price control an efficiency factor (X) of 0.3 is applied as a reduction to the indexation (RPI-0.3). The efficiency factor of 0.3 will continue to be applied for 2024-29 price control on real prices.

Capex

[2] This does not include SDP cost of €5.383M for first year of the PC2024-29.

An ex-ante allowance/estimate will be set for capex.

Actual costs for both predictable capex and unpredictable capex (to include ‘known unknowns’) incurred will be subject to final out-turn (ex-post) efficiency review and adjusted in line with actual expenditure through the annual tariff process. If SEMO foresees exceeding allowances, a submission for additional funding can be made by SEMO to the RAs which may be subject to public consultation.

The RAs’ ex-post review will assess if:

- Expenditure has been efficiently incurred;
- Expenditure was demonstrably necessary;
- Expenditure was incremental to existing price controls and capable of being robustly validated by the RAs.

For the avoidance of doubt, the onus will lie with SEMO to demonstrate that expenditure has been incurred in line with the criteria above.

<u>KPIs</u>

SEMO expressed concerns over the KPI framework set out by the RAs in the Draft Determination. In the Draft Determination, the RAs proposed a number of changes to the KPI framework including capping the total for KPI incentives at €500,000 per year (previously 4% of opex) and introducing symmetric incentives (change from upside only). Four of the existing KPIs which were introduced for the first year of the 2024/29 price control period are to be retained and the RAs proposed to adjust the lower and upper bounds of all KPIs.

SEMO expressed concerns over the KPI framework proposed in the Draft Determination. The main concern was that the combination of the introduction of penalties through the application of symmetrical incentives in the KPIs as well as a tightening of bounds around KPIs left SEMO with downside risk. Other concerns were expressed around the General Queries and System Availability targets as well as the request for specific details of each KPI.

The RAs met with SEMO to further discuss the KPI framework. The RAs agreed to provide the specific details (definition, targets, bounds etc.) of each KPI. The RAs noted SEMO’s concerns around the target bounds and have updated each KPI, extending the definition of the number of days to resolve a general query from 5 days to 12 days and recalibrating the System Availability KPI. The RAs believe these are challenging yet achievable targets for SEMO.

A summary of the changes proposed by the RAs can be seen in the table below:

KPI Framework	**System Availability**	**General Queries**	**Resettlement Queries**	**Invoicing**
No changes proposed from Draft Determination	Upper bound- reduced from 100% to 99.9% Lower Bound- increased from 99% to 99.1%	Change in target (number of days to resolve a general query)- 5 days to 12 days	No change from Draft Determination	No change from draft determination

Table D: Summary of changes in KPIs from Draft Determination

Financeability

Collection Agent Margin

The proposal in the Draft Determination was to remove the revenue collection margin consistent with the SEMC position in the 2021-24 price control. In terms of the risk of SEMO's collection agent role, the wording of the Trading and Settlement Code (TSC) caps the risk which SEMO can face in its revenue collection activities. The presence of the Working Capital Facility also impacts SEMOs potential exposure. This differs from both TSOs where, as referenced in the CMA Final determination for SONI, "the level of risk is related to the size of the revenues handled."

On the costs and their recovery, there are two key areas: initial setup costs and ongoing commitment and drawdown fees. The initial costs, as explained above, have been added to the TSO RABs as noted in previous price controls.

With regard to ongoing costs, SEMO consider that they have provided with no ongoing costs associated with the facility within SONI. It is also noted that in the CMA Final Determination the reward of a margin for collection agent activities for SONI was to cover ongoing commitment fees related to the facility and there are provisions in the TSC covering cost recovery.

Therefore, SEMC have decided not to apply a collection agent margin from year 2 of the price control.

Asymmetric Risk Margin

SEMC propose not to introduce a 3% asymmetric risk margin due to a lack of clarity on the cost basis and the previous decisions by SEMC in 2021 on the matter.

Weighted Average Cost of Capital (WACC):

The proposed approach is to update the WACC from the point at which new TSO values are available, which may be at different points within the period, and with a true-up applied to reflect its application throughout the whole period. This is to reflect the macroeconomic environment in which SEMO operates.

Parent Company Guarantee (PCG) provision:

SEMC's position is to maintain the allowance for the PCG at €300k p.a., in line with the license requirement for SONI. For the reasons set out in SEMC's 2018 decision, it is proposed that no additional remuneration is provided to EirGrid for contingent equity.

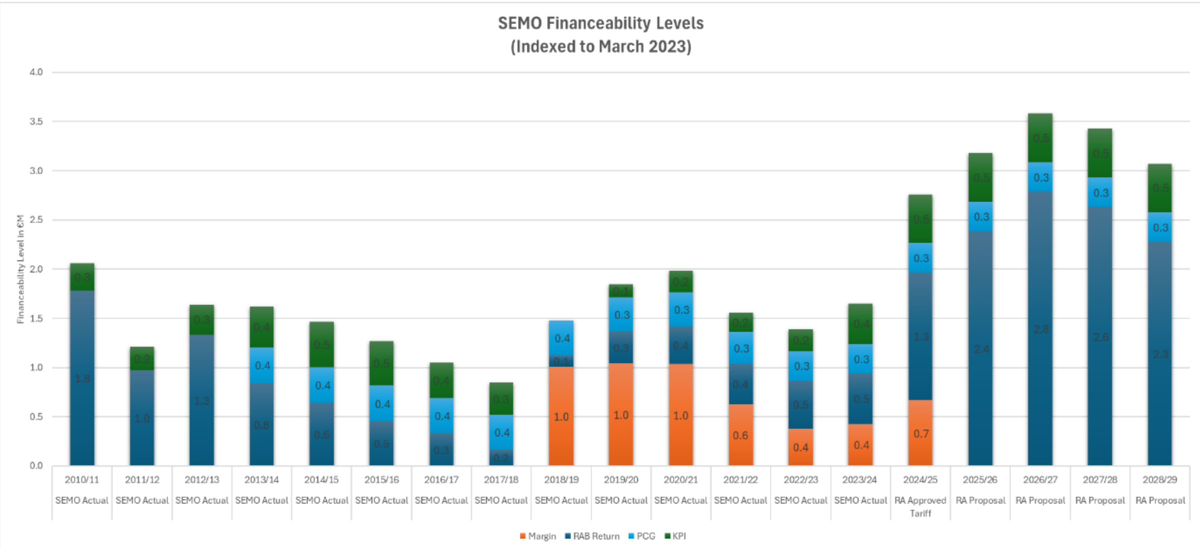


Figure B: SEMO financeability 2010/11-2028/29

Summary: Variation from consultation to decision

A summary of the SEMC's price control decision for the SEMO price control 2024-29 is as follows:

	SEMO submission 2024-29	RAs' consultation proposals	Decision
Opex	€124.937M	€111.402M	€113.175M
Capex[3]	€68.578M	€67.093M	€67.829M
KPIs	Pot – 4% of opex per year, €0.900M per year Incentive – Asymmetrical; No. of KPIs – existing 4 + 1 additional; Amendments to bounds	Pot – €0.500M per year; Incentive – Symmetrical; No. of KPIs – existing 4; Amendments to bounds	Pot – €0.500M per year; Incentive – Symmetrical; No. of KPIs – existing 4; Amendments to bounds
Cost-Sharing	Similar to SONI (25:75)	Mechanical cost sharing of 25:75; Applied to core + delta opex	Mechanical cost sharing of 25:75; Applied to core + delta opex
Cloud Re-opener	Re-opener to facilitate exchangeability b/w opex & capex	Re-opener allowed to facilitate exchangeability of cloud opex to capex	Bidirectional re-opener allowed to facilitate exchangeability of cloud opex and predictable capex

[3] This does not include SDP cost of €5.383M for first year of the PC2024-29.

Financeability	Blended with True-up; Year 1 – 3.86% Year 2 to 5 – 4.77%	Blended; Year 1 & 2 – 3.86% Year 3 to 5 – 4.77% [subject to TSOs determination]	Blended with True-up from Year 1; Year 1 to 5 – 4.77% [subject to TSOs determinations]
PCG	Retain receipt of PCG €0.3M p.a.	Retain receipt of PCG €0.3M p.a.	Retain receipt of PCG €0.3M p.a.
Revenue Collection Margin	Retain margin for collection agent activity at least at 0.25% per year	No margin for collection agent activity except for the 1st year of the PC which is €0.65M.	No margin for collection agent activity except for the year 1 of the PC which is €0.65M.
RAB / Depreciation	Return on RAB and Depreciation recovered as capital expenditure incurred	Return on RAB and Depreciation recovered as capital expenditure incurred	Return on RAB and Depreciation recovered as capital expenditure incurred

Table E: Summary of 2024-29 SEMO price control decisions

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1. Introduction

1.1 Background

The previous price control (SEM-21-073) covered the period from September 2021 to October 2024. This price control was scheduled to be re-determined to commence on 1 October 2024. This Final Determination is for the price control period covering 01 October 2024 to 30 September 2029, following appropriate proxy revenue tariffs in 2024/25.

During the price control review period, SEMO submitted proposals relating to operating expenditure (opex), capital expenditure (capex) and modifications to its existing suite of Key Performance Indicators (KPIs) for review by the Regulatory Authorities (RAs), consisting of the Commission for Regulation of Utilities (CRU) and the Utility Regulator (UR). For this price control, SEMO proposed amendments to the price control framework including the approach to capital cost recovery, the introduction of delta opex, a cloud mechanism for cloud-related costs, a specified 'ex-post' capex assessment by the RAs, cost-sharing for opex and an update to the blended WACC used for the price control. SEMO proposed for the Parent Company Guarantee and revenue collection margin to be maintained within the framework.

A SEM Committee (SEMC) consultation (SEM-25-002[4]) was published on 28 February 2025 outlining the RAs' proposals. Feedback from the SEMO Working Group was considered within proposals with the group established in March 2024 by the RAs to gather views from a broad range of industry participants. The group acknowledged that SEMO was changing during this price control period, through internal and external drivers. In order to facilitate these changes, participants considered that SEMO should focus on both efficient and effective delivery of Business-as-Usual (BAU) activities and early and ongoing engagement with market participants when making market changes.

[4] SEM-25-002 SEMO Price Control 2024-2029 Draft Determination Consultation Paper | The Single Electricity Market Committee

A summary of the RAs' price control proposals which were subject to public consultation from 28 February – 6 May 2025 is as follows:

	SEMO submission 2024-29	RAs' consultation proposals
Opex	€124.937M	€111.402M
Capex	€68.578M	€67.093M
KPIs	Pot – 4% of opex per year, €0.900M per year; Incentive – Asymmetrical; No. of KPIs – existing 4 + 1 additional; Amendments to bounds	Pot – €0.500M per year; Incentive – Symmetrical; No. of KPIs – existing 4; Amendments to bounds
Cost-Sharing	Similar to SONI (25:75)	Mechanical cost sharing of 25:75; Applied to core + delta opex
Cloud Re-opener	Re-opener to facilitate exchangeability b/w opex & capex	Re-opener allowed to facilitate exchangeability of cloud opex to capex
Financeability: **WACC**	Blended with True-up; Year 1 – 3.86% Year 2 to 5 – 4.77%	Blended; Year 1 & 2 – 3.86% Year 3 to 5 – 4.77% [subject to TSOs determination]
PCG	€0.300M per year	€0.300M per year
Revenue Collection Margin	Retain margin for collection agent activity at least at 0.25% per year	Year 1 – €0.653M (approx. 0.11%) Year 2 onwards – Phase down
Return of RAB & depreciation	Return on RAB and Depreciation recovered as capital expenditure incurred	Return on RAB and Depreciation recovered as capital expenditure incurred

Table 1.1a: Summary of 2024-29 SEMO price control consultation proposals

1.2 Principles and Assumptions

Duration

The duration of the next SEMO price control will be five years (1 October 2024 to 30 September 2029).

Indexation

All costs in this document are based on March 2023 prices, consistent with SEMO's submission. An adjustment will be made within market operator tariffs to adjust for out-turn inflation. This is carried out as part of the k-factor trueing up adjustments undertaken each year as part of the tariff process. The indexation rate applicable will be a blended rate of the Consumer Price Index (CPI) in Ireland (75%) and the Consumer Price Index including owner occupiers' Housing costs (CPIH) in Northern Ireland (25%).

Revenue recovery apportionment

Consistent with previous SEMO price controls, the 2024-29 price control will be provided on a combined basis between EirGrid and SONI on a 75% and 25% basis respectively, with revenues being ascribed to EirGrid in its capacity as market operator for Ireland and to SONI in its capacity as market operator for Northern Ireland. The current apportionment is also detailed in the Market Operator Agreement[5] between EirGrid and SONI.

Other assumptions

In addition to the principles outlined above, we provide a list of other key assumptions some of which are reflected in this decision and others which will impact the k factor trueing up adjustment process. They are:

- It has been assumed that FX gains and losses and bank interest will be treated as a passthrough cost. SEMO stated that given the absence of any basis for forecasting these, they have been forecast at zero value in the BPQ for the 2024-29 PC period.
- The implications of Condition 42 of SONI's Transmission System Operator Licence are not considered in SEMO's submission.
- All forecast FTEs have been rounded to the nearest 0.25.

[5] Deed-of-Amendment_MO-Agreement-2018.pdf

1.3 Developments since consultation

Other than price control draft determination responses, the RAs have had further engagements with SEMO after the consultation period.

A workshop was held with the SEMO Working Group on the 10 April 2025, providing an opportunity for feedback on proposals the RAs had put forward. This follows two workshops held before publication of the Draft Determination, with SEMO attending and participating in all workshops.

Following the submission of their response to the consultation paper, SEMO submitted a letter requesting direct engagement with SEMOC and SEMC around concerns of the proposed framework underpinning the financeability of the respective Market Operator Licensees. The RAs then met with SEMOC on 20 May to discuss the on financeability concerns put forward by SEMO and the request for direct engagement with the committee. SEMOC agreed with the request and met with SEMO on the 23 May. Following this, the RAs had further meetings for clarification with SEMO, one with both sets of financeability consultants and another on the incentivisation proposals suggested within the Draft Determination. SEMO provided written clarifications following each meeting.

1.4 Format and purpose of document

This document follows the RAs' consultation (SEM-25-002) by summarising responses to the price control consultation proposals, outlining considerations of the RAs' and SEMC when reviewing those responses and confirming the SEM Committee's decisions for the next SEMO price control, due to commence on 1 October 2025:

- Chapter 2 summarises a decision on the regulatory framework pertaining to SEMO's next price control;
- Chapter 3 provides a high-level outline of the RAs' consultation proposals, summarises stakeholder responses, and confirms the SEM Committee decision about SEMO's opex;
- Chapter 4 provides a high-level outline of the RAs' consultation proposals, summarises stakeholder responses, and confirms the SEM Committee decision about SEMO's capex;
- Chapter 5 clarifies decisions about incentivisation and key performance indicators (KPIs);
- Chapter 6 notes a decision on SEMO's financeability;

- Chapter 7 provides a high-level summary of the decision compared to consultation;
- Chapter 8 closes with Next Steps.

2. Review of Price Control Design

2.1 Summary of RAs' proposals for consultation

The regulatory framework is the overarching structure to apply to key aspects of the price control such as opex and capex and impacts on how allowances are set in advance of the price control period and the k factor adjustment process, which follows 2 years after the completion of each tariff year.

In its price control submission, SEMO maintained that there are currently gaps within its regulatory framework which need to be addressed.

Much of the proposed design for the SEMO 2024-29 price control, set out in the Draft Determination[6] (SEM-25-002), follows the design of the 2021-24 price control. The design proposed within the Draft Determination can be found below, further clarification on items with no change in principle can be found within the Draft Determination:

- Inflation Calculation – No change in principle from PC2021-24:
  - ➢ All determined financial values were stated in March 2023 prices
  - ➢ When tariffs are calculated, determined financial values will be adjusted for inflation which will be a blended rate of the Consumer Price Index in Ireland (75%) and the Consumer Price Index including owner occupiers' Housing costs (CPIH) in Northern Ireland (25%).

- Core opex[7] Allowance – No change in principle from PC2021-24:
  - ➢ Ex-ante allowance for Core opex

[6] SEMO price control 2024-29 draft determination

[7] Core opex is opex excluding delta opex and cloud opex.

- Delta opex[8]:
  - Considered in similar manner as core opex subject to an annual review as predictable capex progresses.
  - The calculated amount will be corrected for inflation.

- Opex Cost Sharing:
  - 25:75 symmetrical opex cost sharing mechanism, the company will retain / carry risk of 25% of the difference between the sum of Core opex ex-ante allowance plus readjusted delta opex allowance (determined during the K-factor period) and the actual Core plus delta opex expenditure.
  - It does not apply to cloud opex. Sum of the ex-ante allowance and the delta opex allowance applicable (does not apply to cloud opex).

- Efficiency Factor:
  - The ex-ante core opex allowance and delta opex amount subject to an annual efficiency adjustment of 0.3%.

- Capex Allowance- No change in principle from PC2021-24:
  - ex-ante estimate of capex, divided between predictable capex (known projects, including market updates) and unpredictable capex; estimates determine an ex-ante amount of rate of return and depreciation on capital invested.
  - The estimated values, rate of return, depreciation and the underlying Regulatory Asset Base (RAB) will be updated in line with actual expenditure during the annual tariff process.

- Capex Efficiency- No change in principle from PC2021-24:
  - Actual costs of predictable and unpredictable capital expenditure can be subject to an ex-post efficiency review which will assess if expenditure was efficiently incurred, demonstrably necessary and incremental to the existing price controls and capable of being robustly validated by the RAs.

- Unpredictable capex- No change in principle from PC2021-24:
  - Estimated amount of unpredictable capex is an allowance up to a cap.

[8] Delta opex refers to additional opex which will arise from the significant IT capex investment programme which SEMO plans to undertake during the next price control.

- Should SEMO foresee that the cap might be exceeded it should approach the RAs for additional funding approvals. The approval process would involve further engagement with market participants.

- RAB Additions:
  - propose to change the treatment of capital additions to the RAB from addition in the year the asset is commissioned, to the addition of capital expenditure as incurred.
  - Assets under construction (AUC)(capital expenditure not already added to the RAB from the 2021-24 price control) will be added to the opening RAB for the 2024-29 price control.

- Depreciation - No change in principle from PC2021-24:
  - Each annual addition to the RAB will be depreciated at a rate of 10% in the year the asset was added to the RAB, then 20%, 20%, 20%, 20% and 10% in five subsequent years.

- WACC Application – No change in principle from PC2021-24:
  - A real pretax rate of return on capital will be applied to the average of the nominal opening and closing RAB for the year, being a blended rate of 75% of the rate of return determined for EirGrid and 25% of the rate determined for SONI in their most recent price controls as determined by the respective RAs.

- Cloud opex[9]:
  - 'Cloud' opex treated as a pass-through cost, subject to an ex-post efficiency review, similar to capex in the previous price control

- SEMO should provide an annual report on the procurement of its IT programme, highlighting and explaining changes in procurement between capex and cloud opex and why it considers the split between capex and opex to be efficient. This will help inform the RAs consideration of any ex-post efficiency review. In respect of unpredictable expenditure, SEMO should add 4.5 times expected cloud opex expenditure to its expected capex expenditure when it considers whether the determined cap will be breached.

[9] Cloud opex covers payments of IT facilities procured by SEMO which are hosted by the vendor and paid for through an annual charge as opposed to an initial capital payment.

- PCG - No change in principle from PC2021-24:
  - Funding of €300k was included in respect of a Parent Company Guarantee which SONI must procure from EirGrid under Condition 3A of SONI's licence to act as SEM Operator whilst EirGrid is the legal and beneficial owners of the entire issued share capital of SONI.

- Margin:
  - Proposal to remove the collection agency margin in next price control 2024-29

  In tariff decision for 2024-25 (the first year of this price control) allowance for margin to maintain the level of reward of the 2021-24 price control. In the first year, we maintained this approach but deducted the additional rate of return which flowed from adding work in progress to the RAB at the start of the price control. Thereafter, we propose to remove the collection margin.

- KPIs Incentive Mechanism
  - The KPI incentive will move from an asymmetric allowance (up-side only) to a symmetrical incentive (positive and negative).
  - Fixed incentive amount of €500k per annum, delinking the incentive amount and the total opex
  - Proposed new bounds within the KPIs

- All Island Programme - The determined values of capex and opex relating to the All-Island Programme to flow through the price control as designed, including the application of inflation, rates of return, cost sharing and over / under recovery.

- Tariff Determination - No change in principle:
  - Tariffs are determined on the best estimates available to the relevant year.
  - An over / under recovery adjustment is made two years later to correct for actual values, including inflation of determined values, KPI outcome and actual revenue recovered.
  - The over / under recovery amount will be carried forward subject to inflation.

2.2 Responses to consultation

SEMO responded that they were very pleased that the SEMC has reflected their view of the upcoming period of change in many of their proposals. However, SEMO was of the view that the RA's proposals diminish or undermine the core regulatory framework that has supported the operation of the SEMO business. Therefore, if changes proposed to the framework within the draft determination were carried over to the Final Determination, they will significantly undermine SEMO's financeability.

SEMO's key concerns were around the two areas of incentivisation and financeability within the framework, with detailed comments on each provided in Chapter 5 and 6 respectively.

SEMO's view was that the various framework mechanisms should be operable on an ongoing basis, not creating an administrative burden which may devalue them in their purpose. This prompted SEMO to ask for further discussions on the design of year-end processes in greater detail ahead of the tariff setting for year 2 of the price control.

SEMO proposed that, although they are content to apply the cost-sharing mechanism annually, more predictability and stability of tariffs (and revenues) could be achieved through only applying any adjustments related to delta opex allowances as part of an NPV-neutral true-up at the end of the period. SEMO's view is this prevents an undue focus on variations in actual expenditure, reducing volatility in tariffs which they believe would value participants.

Energia's view was that the RAs will need to focus on efficiency of opex as well as capex, due to the cost-sharing mechanism reducing the impact of opex overspends on SEMO. It also stated the RAs should exercise vigilance regarding the change in treatment of capital additions and the possible impact this may have on project delivery.

The Energy Storage Ireland (ESI) response was of the view that SEMO should be fully resourced and funded to deliver market reforms successfully and on schedule. Given the scale and complexity of market reform programmes including the Future Arrangements for System Services (FASS) and the Strategic Markets Programme (SMP), timely and coordinated implementation is essential. ESI stated that this should involve ensuring robustness when delivering core functions such as market system upgrades, settlement process improvements and transparent, fair engagement with participants.

ESI noted that stakeholders have observed that in other market change programmes, delays and ambiguity in both timelines and deliverables can have material impacts on investor confidence and project viability.

The ESI response focused on the critical importance of supporting the delivery of Long Duration Energy Storage (LDES) which are currently subject to market restrictions. Inadequate funding to deliver market and operational changes required for LDES success in Ireland could risk the delivery of these assets and Ireland's energy policy objectives.

2.3 RAs' comments

The RAs comments on elements of the framework which sit under incentivisation and financeability, are covered within Chapter 5 and 6 of this paper respectively.

With regards to delta opex reassessment of allowances, SEMO had requested a reconciliation of the delta opex at the end of the price control process. However, for transparency, the RAs propose to hold the Draft Determinations position of allowance being reassessed through the K-factor process with deviations from readjusted allowance being reconciled through the cost sharing mechanism. This is further discussed in Chapter 3.

The RAs have taken account of comments raised by Energia and ESI. SEMO will continue to report updates to their capital expenditure programme through the enhanced reporting regime introduced and implemented within the previous price control. This includes SEMO providing updates to the SEMO Focus Group and both, Market System Release updates as well as biannual capex updates, presented to the MOUG. This reporting with market participant involvement is intended to improve accountability and transparency between SEMO and market participants.

2.4 SEM Committee decision

SEMC accepts the Draft Determination proposals on areas of the framework designated as 'no change in principle'. SEMC decisions on other issues within the framework can be found in Chapter 3 (core opex, delta opex and cloud opex), Chapter 5 (KPIs) and Chapter 6 (financeability).

3. Operational Expenditure (OPEX)

3.1 Summary of RAs' proposals for consultation

SEMO's total opex request for the 2024-2029 price control period was €124.9M which included an allocation of €23.9M as delta opex, which is the resultant opex cost from the capex delivery of IT programmes and €12.3M of cloud opex from projects expenditure, with the remaining opex designated as 'core' opex, around €88.7M. In the Draft Determination the RAs proposed to allow €99.2M for core plus delta opex and €12.2M in cloud opex. This includes full allowance of delta opex following consultants' recommendation.

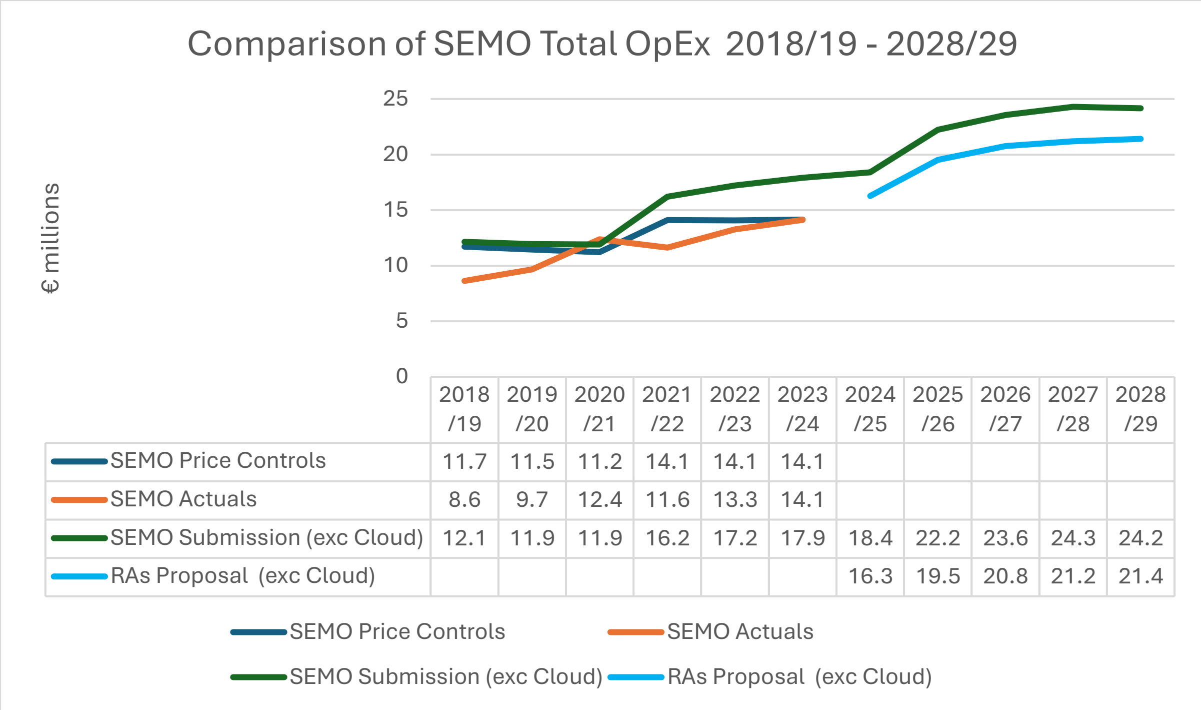
Total Opex	SEMO Proposal						RAs Proposal					
€m	2024-25	2025-26	2026-27	2027-28	2028-29	Total	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Labour Costs	7.121	7.312	7.567	7.567	7.567	**37.133**	6.545	6.885	7.395	7.395	7.395	**35.615**
IT & T	6.666	9.815	10.632	11.143	11.440	**49.696**	5.968	8.899	9.533	9.967	10.182	**44.549**
Facilities, HR and Corporate	2.462	2.527	2.614	2.614	2.614	**12.831**	2.185	2.264	2.345	2.345	2.345	**11.484**
Finance & Regulation	2.161	2.576	2.751	2.976	2.551	**13.015**	1.577	1.491	1.491	1.491	1.491	**7.540**
Total Opex	**18.410**	**22.230**	**23.564**	**24.299**	**24.172**	**112.676**	**16.275**	**19.539**	**20.764**	**21.198**	**21.413**	**99.189**
Add: Cloud Projects	**3.983**	**3.571**	**2.486**	**1.319**	**0.902**	**12.261**	**3.983**	**3.523**	**2.486**	**1.319**	**0.902**	**12.213**
Total Opex (Including Cloud)	**22.393**	**25.801**	**26.050**	**25.618**	**25.074**	**124.937**	**20.258**	**23.062**	**23.250**	**22.517**	**22.315**	**111.402**
FTEs	83.75	86	89	89	89		77	81	87	87	87	

Table 3.1a: Summary of 2024-29 SEMO price control opex draft determination consultation proposals by category

Key elements of the RAs' proposals were that:

- The RAs proposed an allowance of 15.5 additional internal full-time equivalents (FTEs), against SEMO's request for 17.5 with an average salary per FTE of €85k proposed by SEMO accepted by the RAs.
- For IT & Telecommunications costs the RAs proposed an allowance of €44.5M against SEMO's proposal of €49.7M. Of the €49.7M proposed by SEMO, €20.7M is made up of delta opex, allowed in full, following the IT consultants' recommendations with core opex cut where justification was not sufficient by SEMO.
- For HR, facilities and corporate services costs, the RAs proposed to allow for €11.5M compared to SEMO's request for €12.8M. The allowance includes delta opex cost of €0.7M which has been allowed in full as requested by SEMO.
- Finance and Regulation costs were proposed at €13.0M by SEMO; the RAs proposed to allow for €7.5M. This is following a reduction to the 'High-Level Analysis and Design' line item following consultants' recommendation. Allowance includes cost associated with delta opex of €0.3M which has been accepted in full by the RAs.
- In addition to the above opex categories, SEMO proposed another category of opex, 'cloud projects', which are essentially capital programmes but due to Accounting Standard (IAS 38) requirements SEMO asked for this to be considered as opex. SEMO proposed the cost of €12.3M under this category. Following the consultant's recommendation, RAs proposed an allowance of €12.2M.
- Mechanical cost risk-sharing mechanism of 25:75 to be applied to the sum total of core opex and delta opex, whereby 25% risk will be borne by SEMO and 75% of the risk by customers.

A comparison of SEMO's request for allowances from FY2018/19 onwards, actual expenditure till FY2023/24, and the RAs' proposed allowances in the draft determination for PC2024-29 are shown below:



	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
SEMO Price Controls	11.7	11.5	11.2	14.1	14.1	14.1					
SEMO Actuals	8.6	9.7	12.4	11.6	13.3	14.1					
SEMO Submission (exc Cloud)	12.1	11.9	11.9	16.2	17.2	17.9	18.4	22.2	23.6	24.3	24.2
RAs Proposal (exc Cloud)							16.3	19.5	20.8	21.2	21.4

Figure 3.1: Comparison of opex from 2018/19-2028/29

3.2 Responses to consultation

All respondents commented on the RAs' opex proposals.

General

Energia supported the proposed increase in opex and associated FTEs, noting costs should be incurred efficiently and lead to tangible improvements in SEMO's delivery of core roles and responsibilities. Similarly, ESI also stressed upon the importance of adequate resourcing amidst significant market changes but at the same time maintaining appropriate cost control and transparency mechanisms.

Labour costs and Resources (FTEs)

SEMO was generally satisfied with the RAs' proposals, appreciative that the greater workload is reflected in SEMO's allowed headcount and the allowance for direct labour costs. SEMO provided further detail on the areas where the RAs proposed a small reduction in headcount.

SEMO highlighted that the RAs' provision of 2.5 additional FTEs in 'Market Operations' was helpful but without the 3 FTEs requested by SEMO, resources will make it difficult for SEMO to cover the rota for the trading desk adequately. The trading desk operational activities will see a 40% growth in workload and a 33% increase in the length of the trading day. The impact of not providing the full provision of 3 FTEs could lead to number of issues with the imbalance pricing.

SEMO also asked the RAs to review the proposal to disallow 0.5 FTE, of the additional 1 FTE requested, to support the 'Settlement' function. SEMO highlighted that having less resources than required could result in inputs not being appropriately managed and solutions developed not being informed by the Settlement inputs. In addition, the volume of queries during the first quarter of I-SEM was double the remaining periods, highlighting the need for resources to offer high quality responses to participants.

No other respondents commented on Labour costs and Resources (FTEs) allowance proposals.

IT & Telecommunications costs

SEMO highlighted the IT Hardware and Software Support line item, where the RA's disallowed around 29% of the SEMO request, reflecting a lack of justification. SEMO stated the cost forecasts where a best estimate, influenced by contracts with Microsoft and Oracle, both due for prompt renegotiation. However, it was acknowledged that deriving a precise estimate was difficult at this time. It was highlighted that the contracts were central to many of the systems required to the market, having an impact on SEMO's operations. The cost-sharing arrangement was noted to penalise SEMO, not for overspend against an RA view of efficient cost but simply as of a difference of view on the potential scale of need at the outset. SEMO noted they would be happy to share additional detail on contracts and would welcome a discussion on how the gap could be managed.

Energia indicated the modernisation of IT provision should lead to efficient processes for market participants, with upcoming expected changes in the market and it will be important for SEMO to openly report on how increased IT spend has led to efficiencies for its core processes.

No other respondents commented on the IT & Telecommunications allowance proposals.

HR, Corporate and Facilities costs

No respondents commented on the HR, corporate and facilities allowance proposals.

Finance & Regulation costs

In its consultation response, SEMO showed disagreement with RAs allowances for 'High Level Analysis & Design (HLAD) under 'Professional Fees' component of Finance & Regulation Costs. HLAD cost consists of Market Developments, Business Resilience and IT Impact Assessment. SEMO appreciated the difficulty in selecting the funding level required in the High-Level Analysis and Design cost item in their business proposal submission as a result of uncertainty of what might be required of SEMO. SEMO acknowledges that they can make the €4M allowance work but requested a mechanism to seek additional HLAD opex funding if the ex-ante allowance is exhausted. This follows SEMO's primary concern that if the proposed ex-ante allowance proves insufficient, SEMO would be left with a requirement to spend on such activity without additional funding to draw upon. SEMO requested this mechanism to be exempt from cost-sharing as it the need for additional spending would only be driven by factors outside of SEMO's control.

SEMO provided further detail on the Business Resilience cost item, following the RA's decision to provide no allowance for this initiative. SEMO states funding would go towards a Business Resilience study informing SEMO's approach to business resilience over the medium term. This would likely take the form of an opex study, provided by an expert third party and included in the forecast for Professional Fees. It is noted that with the extent of change in markets and impending legislative requirements, SEMO will keep the requirement for this study under review and if necessary, will inform the RAs of appropriate funding for the study and implementation of any recommendations that may come from it.

SEMO asked the RAs to reconsider their proposed decision to disallow the IT Impact Assessment cost item in its entirety, as failing to fund this activity will have a serious impact on SEMO's ability to plan projects effectively, provide the RAs with the analysis of options and will inevitably result in the risk of sub-optimal choices of solution being made leading to increased costs later in the delivery lifecycle of projects and the potential need for rework. The assessment will consist of analysis including the development of comparative solution pathways, strengths and weaknesses of approaches, assessment of any necessary underlying technology enablers, prototyping, where appropriate, and indicative IT "Rough Order of Magnitude" cost analysis to assist in the selection of the most appropriate option. This is distinct from the formal impact assessment which is completed following projects commencing. It is highlighted this analysis is increasingly being requested by the RAs to support SEMO funding requests.

SEMO queried if the proposed disallowance in the HLAD and IT Impact Assessment may have arisen due to a misunderstanding of the attribution of the provisions requested to support the different phases of Project Development. It was indicated that HLAD and IT Impact Assessment requirements fall under opex, and the Market Evolution Provisions is captured under unpredictable capex. In their response SEMO quoted the proposed allowances, as set out in the draft determination, against the phases of Project Development, highlighting no funding for the IT Impact Assessment phase, asking for SEMC to reconsider their proposals within this element.

Energia highlighted that the challenge will be ensuring allowances are spent appropriately and efficiently. Line items such as ‘Professional Fees’ where spend on consultants is justified via benefits and costs to the consumer.

No other respondents commented on the Finance & Regulation proposed allowances.

Cloud Opex

With regard to SEMO ERP Solution cloud project, SEMO informed the RAs that the project commenced during the PC2021-24 period and it was anticipated that the SEMO contribution to the project would largely be completed in FY24, with only a small allowance being required in the first year of the new price control to cover concluding activities. This was the basis upon which the forecast was submitted in the BPQ. However, this project has not progressed as rapidly as expected and additional effort will be required to conclude it in the new price control. Having said that, the SEMO instance is now in user acceptance testing and SEMO is confident that it will be concluded this financial year 2024/25. The delay whilst waiting for the corporate instance to be deployed and the subsequent replanning of the SEMO instance has resulted in the need to reprofile expenditure with actual expenditure in FY24 being lower than forecast, at the time of the SEMO PC Submission, and greater expenditure being required in FY25. This change in timing is summarized below:

SEMO ERP Solution	Cost in FY2023/24 (in €M)	Cost in FY2024/25 (in €M)
Original Submission (March 2024)	2.000 (Forecast)	0.861
Consultation Response (May 2025)	0.925 (Actual)	2.634

Cost Sharing and Delta Opex

Apart from SEMO, no other respondents commented on the cost sharing proposals. SEMO has welcomed the RA's decision to introduce a cost sharing mechanism and mentioned it reflects modern regulatory practise and provides an important mechanism to manage risk in a time of uncertainty. However, SEMO has raised concerned over RAs decision of readjusting/reprofiling the delta opex allowance on an annual basis which results in adjustment to the allowance considered for the cost sharing mechanism. SEMO sees some negative aspects of this which are as follows:

- Financial management may become much more difficult for SEMO as any adjustment to opex related revenues may only be arrived at after the annual budgeting and planning rounds would normally be concluded.

- Projects don't tend to exist neatly within tariff years and SEMO needs to have the flexibility to respond to factors, ranging from external requirements, such as legislation, to resource constraints within SEMO or their partners. Financial management will be complicated to little benefit if any adjustments to revenues are made when all that has happened is that the timing of a project has changed.

- Similarly, given the length of the price control period, it is inevitable that SEMO's operating expenditure will vary from their forecast made in 2023/24. It is questionable what the benefits would be, of seeking to mirror any such variations on an annual basis, rather than applying one adjustment to reflect their overall expenditure at the end of the period.

SEMO expressed concern that the tariff setting process itself will become more complex and time consuming with resource implications for both SEMO and the RAs, and the tariffs may become more volatile leading to uncertainty for market participants over charges and for SEMO in the revenues that it can expect to receive. SEMO is content to apply the cost-sharing mechanism on an annual-basis, but mentioned that more predictability and stability of tariffs (and revenues) might be achieved through only applying any adjustments related to delta opex allowances as part of an NPV-neutral true-up at the end of the period. This will enable SEMO to proceed with delivery of its business plan, within the overall price control envelope, so avoiding an undue focus on the inevitable variations in actual expenditure, up and down or the precise timing of that expenditure. This should have the benefit of reducing the potential for volatility in tariffs from year to year which SEMO believes would be of value to participants.

3.3 RAs' comments

This section consists of RAs considerations on responses to the consultation covered above, which then were shared with SEMC. The ultimate decision by SEMC on the final allowances are covered in the section 3.4 below.

Resources (FTEs)

In its price control submission, SEMO asked for 17.5 additional FTEs to its existing price control baseline of 71.5. The RAs proposed to allow an additional 15.5 in its Draft Determination. RAs are minded not to change from Draft Determination decision.

As made clear in the Draft Determination consultation that "It is at SEMO's discretion to allocate all resources in line with competing priorities over the duration of the price control. While the RAs have used business cases presented by SEMO as the basis of analysis, SEMO has flexibility to re-allocate or re-deploy resources as more information becomes known to allow more effective planning and operations."

It is important that SEMO assesses its HR strategy, job specifications, current allocation of resources to core functions and targeted intake grade of staff to ensure efficient and effective operations going forward. SEMO has an opportunity to 're-set the bar' now that the originally allowed full staff complement is in situ. In addition, SEMO now has almost seven years' experience of operating the revised SEM and can benefit from 'lessons learned'. This is further complemented by the provision of allowance for new additional resources equating to around a 21% uplift on the baseline at the last price control.

It is within SEMO's own commercial decision-making capabilities to allocate/re-allocate staff within the entity during a price control period.

Labour costs

An average salary of €83.5K p.a. per FTE has been used for the purposes of calculating Core Labour opex allowance.

IT & Telecommunications costs

With respect to cost associated with Hardware and Software under IT & telecommunications, the RAs have considered SEMO's views in their response to Draft Determination. Given that costs allowed by RAs includes €5.9M of cost associated with delta opex, which is allowed in full to broadly cover the cost associated with increasing size and other large investments, the RAs continue to hold Draft Determination position of allowing €10.9M against SEMO's request of €15.3M. With regards to the concern raised by SEMO over penalisation through cost sharing for overspending against RAs view of efficient cost, the RAs consider that SEMO has the flexibility to manage the allocation of costs within IT & Telecommunications in an efficient manner. Re-allocation of allowances is a business decision for every regulated entity and is not exclusive to SEMO. The cost-sharing mechanism proposed by RAs is not applied to specific line items within the category of opex. The RAs have provided the IT & T allowance of €44.5M against SEMOs request of €49.7M which includes delta allowance of €20.7M in full.

HR, Corporate and Facilities costs

The RAs have allowed for total of €11.5M HR, Corporate and Facilities allowance against SEMOs request of €12.8M. This includes a delta cost allowance of €0.7M in full as requested by SEMO.

Finance and Regulation costs

SEMO has raised concerns over High Level Analysis and Design line items, which is part of Professional Fees under Finance and Regulation costs.

In the Draft Determination, SEMC made the decision to allow for €4M under HLAD on which SEMO has requested a mechanism to seek additional funding if required. Our IT consultants acknowledged the challenges involved in setting an appropriate level of funding amid significant uncertainty regarding future scope. Accordingly, they have interpreted SEMO's position as reflecting concern that it may face such a high degree of unpredictability that it will need to commission additional consultancy projects to assess a broader range of potential market outcomes than initially anticipated.

At the same time, our consultants remain mindful of stakeholder feedback emphasising the importance of ensuring SEMO is adequately resourced, while also maintaining a strong focus on the efficient discharge of its obligations. Stakeholders considered that SEMO should adopt the principles of strategic planning under uncertainty, rather than continuing with the fragmented and inefficient approach outlined in its original business plan. A strategic approach would reduce—though not eliminate—the likelihood of requiring additional funding.

Our consultants also note that though €4M allowance do not explicitly include IT Assessment or Business Resilience costs. However, as part of the initiation phase, SEMO describes assessing business operations, resources, technology, and financial requirements. In the BPQ, SEMO mentioned that this funding is designed to cover initial planning and development costs, enabling a clear understanding of the project's scope, feasibility, and strategic alignment before full-scale implementation begins. Therefore, it is reasonably expected thar IT Assessment and Business Resilience assessments to have been completed as part of this phase. Any gaps identified during these assessments may be captured and addressed in the business case output generated from this activity.

Taking our consultant's view into consideration, RAs would like to hold the Draft Determination position of allowing €4M under HLAD. However, it is at SEMOs discretion to spend the costs as per requirement either for Market Developments, Business Resilience or IT Impact Assessment. Similar to RA's comments under IT & Telecommunications costs, the RAs consider that SEMO has the flexibility to manage the allocation of costs within Finance and Regulatio in an efficient manner.

Cloud Opex

SEMO has asked that additional budgeted expenditure for SEMO ERP Solution of €1.773M (€2.634M - €0.861M) for 2024/25 is included within the RAs' calculations for an allowance. This has been taken into account and proposals will be increased for final decision.

Cost Sharing and Delta Opex

RAs have allowed for mechanical cost sharing of 25:75 on opex costs except for cloud opex. This means SEMO will retain 25% of the difference between the sum total of core opex allowance plus readjusted delta opex allowance and the actual expenditure if a positive amount, and will carry the risk of 25% of the cost difference if a negative amount. With regards to annual reprofiling / readjustment of delta opex concerns raised by SEMO, the RAs consider that in order to ensure transparency, the process should be done annually i.e. during the K-factor process of relevant year.

The RAs are of the view that during the K-factor process of relevant year, SEMO should be able to submit us the progress report on each of the capital programme with actual delta opex spends. Accordingly, SEMO should submit a progress report on capital programmes and actual delta opex along with their Annual Report and Financial Statements by 31 of March.

The delta opex allowance then would be readjusted to match the proportion of capex spent. The RAs will engage with SEMO over the coming months to finalise the reporting arrangements.

3.4 SEM Committee decision

Resources (FTEs) and average salary

SEMC has decided on no change from the draft determination position on the allowed FTEs or average salary. It is at SEMO's discretion to allocate resources as required to meet its core obligations, reviewing these to ensure efficiencies and allocation against priority/challenging work areas at a particular point in time during the price control. We expect that participants' views should be taken into account when prioritising workload.

IT & Telecommunications costs

SEMC has decided on no change in IT hardware and software allowance as IT&T costs have been looked in their entirety and it is within SEMO's discretion to use its IT&T allowance for different purposes efficiently as per requirement.

HR, Corporate and Facilities costs

The decision for HR, Corporate and Facilities costs is unchanged since consultation.

Finance and Regulation costs

'High Level Analysis and Design Fees' allowance will remain the same as decided in Draft Determination and it's on SEMO's discretion to use Finance and Regulation allowance for different purposes efficiently as per requirement.

Cloud Opex

Budgeted expenditure for SEMO ERP Solution project has been reprofiled considering the approval in previous price control[10] and accordingly, allowance for FY2024/25 is increased from €0.861M to €2.634M.

Cost Sharing and Delta Opex

SEMC accepts the principle of applying cost sharing on the difference between the sum of ex-ante core opex allowance plus readjusted delta opex allowance and their actual outturn. Readjusted delta opex allowance will be calculated on an annual basis during the k-factor process of the relevant year based on SEMO submitting the progress report and actual delta opex expenditure related to each capital and cloud projects by 31 March in addition to Annual Reports and Financial Statements.

SUMMARY OPEX DECISION (FY 2024-29)

	SEMO BPQ Submission	**RAs' Draft Determination Consultation Proposals**	**SEMC Decision**
Labour	€37.133M	€35.615M	€35.615M
IT & Telecomms	€49.696M	€44.549M	€44.549M
HR, corporate, facilities	€12.831M	€11.484M	€11.484M
Finance & Regulation	€13.015M	€7.540M	€7.540M
Total Opex	**€112.676M**	**€99.189M**	**€99.189M**
Add: Cloud Projects	€12.261M[11]	€12.213M	€13.986M

[10] Please note that approval towards reprofiling of ERP project does not results in double allowance as this was covered under capex in previous PC2021-24 and SEMO is only allowed to recover their actual spends in capex if they are less than the allowances.

[11] SEMO revised the cost projection for ERP project by €1.773M for FY 2024/25 in their consultation which resulted in total cloud opex cost request increasing from €12.261M to €14.034M.

Total Opex (including Cloud)	**€124.937M[12]**	**€111.402M**	**€113.175M**

Table 3.4a: Opex Comparison of SEMO's Submission, RAs' Consultation and SEMC's Decision

The table below details the opex allowances provided for each opex category across the five-year period totalling €113.2M.

Total Opex	SEMC Decision					
€m	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Labour Costs	6.226	6.418	6.928	6.928	6.928	**33.426**
IT & T	4.648	4.734	4.866	4.813	4.816	**23.877**
Facilities, HR and Corporate	2.077	2.105	2.186	2.186	2.186	**10.741**
Finance & Regulation	1.439	1.439	1.439	1.439	1.439	**7.195**
Total Core Opex	**14.389**	**14.696**	**15.419**	**15.366**	**15.369**	**75.238**
Add: Delta Opex	1.886	4.843	5.345	5.833	6.044	**23.950**
Total Opex (Core + Delta)	**16.275**	**19.539**	**20.764**	**21.198**	**21.413**	**99.189**
Add: Cloud Projects	5.756	3.523	2.486	1.319	0.902	**13.986**
Total Opex (Including Cloud)	**22.031**	**23.062**	**23.250**	**22.517**	**22.315**	**113.175**
FTEs	*77*	*81*	*87*	*87*	*87*	

Table 3.4b: Summary of SEMC's total opex decision for PC 2024-2029

4. Capital Expenditure (Capex)

4.1 Summary of RAs' proposals for consultation

SEMO's proposed total capex programme for 2024-29 is €68.6M which includes costs associated with market system releases and support, twelve 'predictable' capital projects which focus on modernising SEMO's IT capabilities, and a proposal for 'unpredictable' capex which is required for SEMO's response to policy and regulatory drivers which may require changes to the market.

The RAs proposed to allow SEMO's full request of €32.2M for Market System Release, €6.8M for Market System Release Support and €10.5M for Unpredictable Business Capex. The RAs proposed to allow €17.7M of SEMO's €19.2M Predictable Business Capex submission for the 2024/29 price control.

A summary of SEMOs' request and the RAs' proposed annual allowances in the Draft Determination for 2024-2029 is shown in the table below:

[12] Considering footnote 5, accordingly total opex request from SEMO has also increased from €124.937M to €126.710M.

Total Capex	SEMO Proposal						RAs Proposal					
€m	2024-25	2025-26	2026-27	2027-28	2028-29	Total	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Market System Releases	1.242	6.846	7.381	7.992	8.701	**32.162**	1.242	6.846	7.381	7.992	8.701	**32.162**
Market System Release Support	0.354	1.516	1.627	1.627	1.627	**6.752**	0.354	1.516	1.627	1.627	1.627	**6.752**
Predictable Business Capex	7.945	5.586	2.821	1.716	1.096	**19.164**	7.329	4.867	2.671	1.716	1.096	**17.679**
Unpredictable Business Capex	2.100	2.100	2.100	2.100	2.100	**10.500**	2.100	2.100	2.100	2.100	2.100	**10.500**
Total Capex	**11.641**	**16.049**	**13.929**	**13.435**	**13.524**	**68.578**	**11.025**	**15.329**	**13.779**	**13.435**	**13.524**	**67.093**

Table 4.1a: Summary of RAs' capex Proposals 2024-29

4.2 Responses to consultation

In relation to incentivisation, the RAs received 3 responses to the consultation document from SEMO, Energia and Energy Storage Ireland (ESI).

Overall, SEMO is content with the RAs' proposals on planned programmes of Capital Investment and cloud projects. Energia was also supportive of the proposed capex costs, emphasising the need for benefits to be experienced by SEMO's stakeholders through efficient systems and processes. Energia also commented that additional value added should guide priority within capex projects, which was highlighted within the SEMO Working Group meeting held in November 2024.

SEMO were 'pleased' with the RAs' allowances for predictable capex, with exception to the year 1 disallowance within the 'Data Centre Transformation' project. SEMO also provided an update on the 'SEMO ERP solution' programme cost forecast.

With regards to the 'Data Centre Transformation' project, SEMO has shared a revised business case as a part of their response, to better explain the year 1 activities and show the phasing of activities for the two co-located data centres. Rather than the year 1 costs being associated with tendering a second co-located data centre, as suggested within the Consultation Paper, SEMO states the majority of cost in year 1 is associated with the purchase of hardware, comms links and other infrastructure for both new data centres.

SEMO also noted a change in forecast for the SEMO ERP solution project. A revised BPQ was submitted along with the consultation response to incorporate this change. This project was noted to replace Microsoft Dynamics with the cloud-based version of Dynamics with corporate EirGrid implementation preceding a separate SEMO implementation. A small allowance was required in the first year of the new price control but due to this being an early major initiative using Cloud, the corporate implementation was delayed and hence the SEMO implementation has been replanned. This has led to actual expenditure in 2024/25 being lower than forecast, with greater expenditure required in 2025/2026.

SEMO provided additional information on the governance and management of expenditure in the Market Evolution project, following an RA request. SEMO also requested confirmation whether the cloud-capex exchange mechanism[13] would work in both directions, which SEMO considered would mitigate bias towards capex or cloud solutions when new projects are being designed.

SEMO suggested further discussions could be held with market participants, the RAs and other interested parties on the change process and the delivery of new or amended functionality through market system releases. The need for further engagement in this area had been discussed during the Working Group meeting held in November 2024.

With regard to Market Release Reports, SEMO requested RAs to amend the condition of submitting the report within the same month to two months after the release to allow SEMO the time to process invoices from its vendors and validate the number of associated hours against each release. At the very least SEMO requested it to be changed to one month after the release. This is because release could happen at any stage in the month, including the final day, submitting the report ‘within the same month’ can be a challenge for SEMO. It has become standard practice, accepted by the RAs, to interpret this as sending the report within one month of the release, however this requires SEMO to explain in each such release report why it was not submitted ‘on time’.

ESI’s response highlighted that it is essential SEMO is adequately funded and resourced to deliver the market and operational changes required for Long Duration Energy Storage (LDES) success in Ireland. Having inadequate systems, to support participation and settlement of LDES assets, could undermine commercial viability of these projects impacting delivery.

4.3 RAs’ comments

The RAs welcome the support on the capex allowances proposed within the Draft Determination from respondents. The RAs note the proposed unpredictable capex full allowance was subject to evidence around programme controls, which SEMO has provided within its response. With recognition of this, and accounting for the view of the RAs’ IT consultants, the RAs are content to provide the full unpredictable capex allowance of €10.500M, which will be added to SEMO’s RAB when incurred. This allowance is provided to

[13] This is in relation to Draft Determination Decision (Page 110) where re-opener mechanism to facilitate the exchangeability of cloud projects opex into capex was allowed by the RAs.

cover the cost of analysing the impact of major policy-driven issues which may impact the market and will include the design of potential solutions in areas such as LDES.

The RAs welcome the additional clarification provided on year 1 costs for the ‘Data-Centre Transformation’ predictable project. The new information has led our consultants to revise their view on appropriate allowances for this project. Although they still consider that the selection of the second data centre should be more straight forward, which is now reflected in the revised scope but is not reflected in the total cost which remains unchanged. The consultants acknowledged that some cost will inevitably be incurred in selecting the second data centre, originally estimated as an 18-month process. Accordingly, the allowance for this predictable project has therefore been increased from Draft Determination position of 67% to 83% of the €4.499 million, amounting to €3.749 million.

With regard to the SEMO ERP project update, the RAs note that SEMO’s request for additional expenditure relates to cloud expenditure and therefore has been covered previously within Chapter 3 of this paper.

All other allowances in relation to capex programme remains unchanged from the consultation paper. The consultation provided additional information on individual capex projects and their spending profiles, which remains a useful reference.

The RAs would also like to clarify that SDP costs associated to SEMO, which was not exclusively indicated in the Draft Determination, have been allocated for year 1 of the price control, totalling €5.383M. This is in addition to €3.653M of assets under construction costs, from the final year of the previous price control which will be added to the RAB within year 1.

The RAs can confirm that the capex-cloud exchange mechanism will be bidirectional, allowing costs to flow in either direction. The RA’s highlight that each project cost will be subject to the RAs’ approval (as part of the k-factor process) with the onus on SEMO to prove that the expenditure has been efficiently incurred, demonstrably necessary for the purposes of the market operator business and expenditure is incremental to existing price controls and capable of being robustly validated by the RAs.

The RAs note the importance of emphasising the need for benefits to be experienced by SEMO’s stakeholders in efficient systems and processes. In order to provide clarity within this area, SEMO should continue to provide enhanced reporting, introduced in the previous price control, with market participant involvement (e.g. bi-annual capex updates at the MOUG). This allows SEMO to reflect the prioritisation of projects so that market participants can respond to any changes.

The RAs have taken SEMO's request on the timing of Market System Release Reports into consideration and have decided to allow the report to be submitted within one month following the publication of the report. The RAs note SEMO's commitment to provide the same scope within the report following this change.

4.4 SEM Committee Decision

Market System Release Capital

Approval is provided for the full requested amount of €32.2M for the releases during the 2024-29 price control period. As within the previous price control, given the close integration of systems and the level of uncertainty associated with changes during the price control period, the approval is subject to:

1. Assurances from SEMO that vendor release hours for each release are utilised on changes driven by the market operator licensable activities. Changes driven by system operator licensable activities, such as scheduling and dispatch processes, should be funded through the EirGrid and SONI system operator price controls and therefore an appropriate cost adjustment should be applied; and
2. Reporting to the RAs within one month as the release takes place, including, as a minimum, the following:
    a. finalized scope for that release;
    b. detailing each change and the assigned vendor hours;
    c. clear indication of those changes which are market operator driven and those which are system operator driven
    d. clearly set out the hours and costs applicable to the market operator, showing the adjustments as necessary for the system operator driven changes e.g. scheduling and dispatch processes within the SEM systems.

Market System Release Support Capital

Approval is provided for the full requested amount of €6.8M for the release support during the 2024-29 price control period. This provides SEMO sufficient resources in order to meet the upcoming expected market changes and promotes flexibility to fully support a high-quality roll-out of the releases and testing within the SEM systems.

Similar to that set out above under the Market System Release Capital project, SEMC expect the release support costs to follow the same cost apportionment between market operator driven changes and system operator driven changes.

Predictable capital projects

These projects are viewed as being predictable and necessary for this price control period based upon the RAs' assessment of SEMO's submission. Allowance for Data Centre Transformation has been increased to €3.7M from our Draft Determination position of €3.0M based on further information provided by SEMO and the RA's consultant's review. This results in total allowance of €18.4M in predictable capital projects against SEMOs request of €19.2M.

Unpredictable capex

This provides SEMO with a level of certainty regarding a set allowance which can provide additional flexibility during the price control period that can be utilised on capital projects which are not specifically captured in the predictable capex allowances above.

The unpredictable capex allowance is €10.5M.

Capex-Cloud Opex Exchangeability

SEMC is minded to allow the re-opener mechanism to facilitate the exchangeability of cloud projects' opex into predictable capex and vice-versa, subject to following conditions:

i. SEMO demonstrating that alternative solution will be in the interest of consumers.
ii. Cost to be treated in alternative mechanism should be less than the ex-ante allowances, thereby demonstrating the efficiency in achieving the same outcome.
iii. Proposal for exchangeability should be received by the RAs on or before 31st March for changes to be taking place in the upcoming tariff year.

Summary of decision

Each of the above capex categories, with the exception of the cloud opex proportions of predictable projects' costs, are provided on the basis that actual approved outturn costs will be applied to the Regulatory Asset Base (RAB).

If SEMO foresees exceeding the allowances, a submission for additional funding can be made to the RAs which may be subject to public consultation.

All capex will be subject to RAs approval (as part of the k-factor process) with the onus on SEMO to prove that the expenditure has been:

- efficiently incurred,
- demonstrably necessary for the purposes of the market operator business; and
- expenditure is incremental to existing price controls and capable of being robustly validated by the RAs.

Depreciation will be calculated on a five-year straight-line basis and SEMO will earn a WACC return on its capex. The WACC is a blend of the EirGrid TSO and SONI TSO WACCs in accordance with specified proportions, currently 75% and 25% respectively.

SEMO is to provide bi-annual capex updates at the MOUG and at least annually provide a detailed report to market participants/stakeholders on the use, including costings, of the unpredictable capex allowance.

The table below details the capex allowances provided for each capex category across the five-year period totalling €73.2M.

Total Capex	SEMC Decision					
€m	2024-25	2025-26	2026-27	2027-28	2028-29	Total
Scheduling and Dispatch	5.383	0	0	0	0	**5.383**
Market System Releases	1.242	6.846	7.381	7.992	8.701	**32.162**
Market System Release Support	0.354	1.516	1.627	1.627	1.627	**6.752**
Predictable Business Capex	7.696	5.234	2.672	1.716	1.097	**18.415**
Unpredictable Business Capex	2.100	2.100	2.100	2.100	2.100	**10.500**
Total Capex	**16.775**	**15.697**	**13.780**	**13.435**	**13.525**	**73.212**
Assets Under Construction at the start of FY2024/25	6.559					

Table 4.4b: Summary of SEMC's total capex decision for PC 2024-2029

4.5 Regulatory Asset Base (RAB), Depreciation, WACC Return

The closing RAB at the commencement of this price control is €12.7M and is expected to rise to €35.5M[14] based on the capex decision in this paper. The return and depreciation costs associated with capex will be recovered on an 'as-incurred' basis, where costs are recovered when costs are incurred. This includes AUC which will be added to the RAB in year 1 of the price control.

[14] This does not include expected SMP cost of €33.5M by SEMO. Including it would further increase the closing RAB to the level of €43.7M.

Additionally, SEMO is requesting an update to the WACC mechanism in the upcoming price control. The current WACC mechanism is a weighted average of the two System Operator WACCs in accordance with the specified proportions, currently 75% for EirGrid and 25% for SONI. The current blended rate for the WACC can be seen in the table below:

WACC Rate	**TSO WACC Decisions**	**Specified Proportion**	**SEMO WACC**
EirGrid TSO[15]	3.80%	75%	2.85%
SONI TSO[16]	4.03%	25%	1.01%
Blended Rate for SEMO WACC			**3.86%**

Table 4.5a: Current Blended WACC applicable to SEMO

The RAs are proposing to continue the existing WACC calculation until the EirGrid and SONI TSO determinations are finalised. WACC will be trued-up from year 1 to reflect the new EirGrid and SONI WACC values, weighted using the proportions of the joint venture i.e., 75:25. This is further outlined within Chapter 6. The RAs have used SEMO's forecast blended WACC value of 4.77% when considering return on RAB.

The table below summarises SEMO's RAB and WACC return for the period 2018-24 and expected RAB and WACC return for the period 2024-29. Overall, SEMO's RAB is forecast to grow to €35.5M by the end of 2028/29. This results in creating an annual WACC/RAB return increasing from €0.5M to €1.7M over the period.

RAB / Depreciation Table (March 2023 Prices in €M)	**Actual 2018/19**	**Actual 2019/20**	**Actual 2020/21**	**Actual 2021/22**	**Actual 2022/23**	**Actual 2023/24**	**Forecast 2024/25**	**Forecast 2025/26**	**Forecast 2026/27**	**Forecast 2027/28**	**Forecast 2028/29**
Real WACC - EirGrid	4.95%	4.95%	4.09%	3.80%	3.80%	3.80%	4.77%	4.77%	4.77%	4.77%	4.77%
Real WACC - SONI	5.85%	5.85%	4.03%	4.03%	4.03%	4.03%	4.77%	4.77%	4.77%	4.77%	4.77%
Real WACC - Blended 75:25	**5.18%**	**5.18%**	**4.08%**	**3.86%**	**3.86%**	**3.86%**	**4.77%**	**4.77%**	**4.77%**	**4.77%**	**4.77%**
Opening SEMO RAB	0.000	4.639	7.955	10.834	10.327	14.739	12.676	29.115	35.038	36.922	36.920
Capital additions in year	5.155	4.827	5.411	2.852	8.952	3.179	23.334	15.697	13.779	13.435	13.525
Depreciation	**0.515**	**1.511**	**2.533**	**3.359**	**4.539**	**5.242**	**6.895**	**9.774**	**11.895**	**13.436**	**14.919**
Closing SEMO RAB	4.639	7.955	10.834	10.327	14.739	12.676	29.115	35.038	36.922	36.920	35.526
Year average SEMO RAB	2.320	6.297	9.395	10.580	12.533	13.708	20.896	32.077	35.980	36.921	36.223
RAB Return	**0.120**	**0.326**	**0.383**	**0.408**	**0.483**	**0.529**	**0.997**	**1.530**	**1.716**	**1.761**	**1.728**

Table 4.5b: SEMO's Expected RAB, Depreciation and WACC Return based on SEMC capex Decision

5. Incentivisation

5.1 Summary of RAs' proposals for consultation

A range of incentives were proposed for the 2024-29 price control period with differing approaches to incentivise opex, capex and SEMO's outturn performance.

[15] Pre-tax WACC as defined in EirGrid TSO PR5 Transmission Revenue for 2021 to 2025
[16] Pre-tax WACC as defined I SONI TSO Final Determination for 2020 to 2025

Opex costs were proposed to continue to be incentivised via revenue cap (RPI-X) regulation. This provides an incentive for SEMO to make opex cost efficiencies which can be retained during the price control period. Such cost efficiencies are then to be captured by the RAs in setting the next price control and passed on to consumers.

Key Performance Indicators (KPIs) aim to encourage high performance and act as an effective mechanism to encourage better quality and service for stakeholders. KPIs should challenge an organisation to meet a sufficiently challenging target that can be met with the available resources. The RAs proposed to cap the total for KPI incentives at €500,000 per year. Four of the existing KPI items, which were enacted for the first year of the 2024/29 price control period[17], are to be retained. The RAs proposed to introduce symmetric incentives for the four existing KPIs, following feedback from Working Group participants and improved performance over time. The RAs proposed to adjust the lower and upper bounds of all existing KPIs. The RAs are not minded to supporting the SEMO's proposal to reintroduce the Credit Cover Increase Notice KPI.

5.2 Responses to consultation

In relation to the incentivisation, RAs have received 2 responses to the consultation document; one from SEMO and the other one from Energia.

Energia supported the introduction of symmetric KPIs to hold SEMO to a minimum acceptable standard. Support is also given to the RAs' proposal to increase the upper bounds that will require a higher level of service delivery to receive the maximum reward.

In their response, SEMO highlighted concerns around two key areas in the KPI framework, the shift to symmetric KPIs and the annual monetary incentive/penalty. Regarding the shift to symmetric KPIs, SEMO highlighted that the tightening of targets has heightened the risk of penalty, especially in a period of 'significant change' which will increase queries and pressure system availability. SEMO proposed to revert to the initial bounds submitted within their BPQ or provide a mechanism for targets to be re-baselined mid-period.

Secondly, SEMO called for the annual monetary incentive/penalty to be reviewed due to the fact that rewards are due to become more challenging because of the revisions to upper and

[17] KPIs for FY2024/25 is attached in Annex A.

lower bounds, proposing this should be reflected in reward available. SEMO indicated that the RAs have broken the link with opex by fixing the reward to an 'arbitrary reward' of +/- €500k.

SEMO specified that the RAs need to be mindful that, in reforming this framework, the impact of the KPI incentives does not change from one of driving improvement and sustaining high-levels of performance, to one of unrealistic expectations which punishes any small failure and where overachievement is not rewarded in a manner consistent with the economic value provided by a successfully operating market.

SEMO made comments about the design and definition of two specific KPIs, the 'General Queries' KPI and the 'System Availability' KPI. With regard to the 'General Queries' KPI, SEMO believe the current KPI target of 15 days resolution time per query should remain in place. SEMO expect spikes in the number of queries, resulting from market change, with time needed to reduce the queries down to a sustainable level. In addition, SEMO signify that when reviewing performance in addressing General Queries, this should be on a per query basis as opposed to the average resolution time referred to in the Draft Determination, as a significant volume of individual queries will fall outside of this target.

SEMO also called for a revision of the upper bound for the 'System Availability' KPI to 99.9% availability, from the 100% proposed by the RAs. SEMO stated that no vendor would stand over or warrant 100% availability of a system and such a target would not be the norm for IT services. It is further highlighted that there is a reasonable probability of downtime, either to introduce functionality into the market systems or to replace and upgrade the underlying hardware and software infrastructure.

SEMO requested all aspects of KPIs are clearly set out within the Final Determination including the metrics, definitions, assumptions underpinning, bounds, weighting and Reward/Penalty, as done with the previous price control. Engagement with the RAs was welcomed by SEMO to understand commonality over issues. Further engagement with the RAs was suggested on the potential for an incentive on delivery on 'predictable projects', noting the need to balance any additional incentive in consideration of the overall scale of the potential KPI pot.

5.3 RAs' comments

In setting the opex allowance within a revenue cap (RPI-X) mechanism the RAs take into consideration the opex incentivisation placed on SEMO. The expectation is that a minimum a satisfactory service level is maintained throughout the price control period. In doing so, SEMO may make efficiencies within the period which can be retained by SEMO as per the cost-sharing ratio specified in Chapter 3 of this document.

The capex incentivisation framework will remain unchanged from that consulted upon. The capex incentivisation framework is aimed at incentivising SEMO to spend efficiently and prioritise capex workload for the advancement of the SEM.

KPIs were a key discussion point at the Working Group meeting held on 10 April 2025 with group participants providing feedback on the RAs' proposals. Generally, participants were receptive to the introduction of symmetric KPI incentives that was proposed by the RAs, as well as the tightening of upper and lower bounds. These proposals were introduced to address concerns that participants had on the potential Business-As-Usual (BAU) nature of SEMO's KPIs.

Within the consultation paper, the RAs welcomed feedback on two additional KPIs that were considered when forming proposals, a 'Change Request' KPI and a KPI for 'Predictable Capex Project Delivery'. For these KPIs, the RAs asked for any additional information that market participants may value, either on Market Releases for the Change Request KPI and SEMO's capital projects for the capex Project Delivery KPI.

The two additional KPIs were referenced and welcomed by working group participants but there was no indication of how the mechanism for the KPI could be introduced and whether SEMO should be incentivised for information that is currently provided to market participants through several channels, such as the Market Operator User Group (MOUG) or the SEMO Focus Group.

Following the consultation response from SEMO, the RAs had further engagement with SEMO covering various aspects of their concerns related to KPIs. In relation to the SEMO concern regarding General Queries KPI, that resolving the queries within 5 business days during a time of significant market changes is not appropriate, the RAs noted the concerns raised by SEMO. Thus, time to resolve general queries is therefore increased to 12 business days, instead of the 5 proposed in the draft determination, to encourage improved performance. Also, we confirm that performance will be continued to be measured on a 'per query basis' and not on the average time per quarter.

With regards to SEMO's request to revise the upper bound to 99.9% for the System Availability KPI, the RAs agree to this change. Accordingly, the RAs also propose to change the negative floor in relation to the bounds to 99.1% from 99% to maintain the symmetrical incentive.

The RAs have targeted specific KPIs in this decision while recognising that KPIs should continue to evolve over time to remain effective. The RAs, following the information from SEMO on KPI performance, will review the performance of SEMO in the second half of the tariff year 2026/27 and, if deemed appropriate, could make changes to metrics of the KPIs. RAs will also review the appropriateness and need of KPIs for future price controls.

5.4 SEM Committee decision

In summary, the SEM Committee has decided:

- Opex will continue to be incentivised via revenue cap (RPI-X) regulation with efficiency factor to be applied on real prices.
- Capex will be incentivised via a flexible and agile framework with costs recoverable subject to SEMO proving the spend is efficiently incurred, demonstrably necessary, is incremental to existing price controls and capable of being robustly validated by the RAs;
- KPI will be incentivised as set out below in the table.

The SEMC has decided upon four KPIs, retained from the previous price control decision. This is summarised in the table below. The KPI framework is symmetric with a negative penalty added to the upside reward employed previously. The negative penalty is introduced if SEMO falls below the lower bound of a KPI until they reach the negative bound, where the maximum penalty of €125k is applied. The incentive remuneration rate available to SEMO is to be capped at €2.5M over the price control period, or €500k p.a. KPIs will continue to be measured on a quarterly basis.

Final Annual KPIs 2025/26-2028/29							
No.	**KPI Name**	**Definition and Assumptions**	**Upper Bound**	**Lower Bound**	**Negative Floor**	**Weightage**	**Max Reward / Penalty per annum**
1	Invoicing	The percentage of occurrences where invoices to participants are published on time, as defined in the TSC (as amended from time to time) • The target for the "Weekly Trading Payments and Trading Charges (Balancing /Imbalance (BALIMB)) Settlement Documents" to be produced by 12:00 5 working days after each Billing Period. • The target for Capacity settlement documents is 12:00 10 working days after the end of each month. The invoicing assumptions to be applied are: i. System Operator system failovers and issues outside of SEMO's control are to be excluded from the KPI measurement. ii. ii. Planned outages, planned releases and ad hoc releases that have an impact on measurement of this KPI are excluded.	100%	98%	96%	25%	+/- €125,000

2	SEMO Resettlement Queries	The number of upheld formal queries from market participants which have identified errors in settling the market which are attributed to SEMO's operation and processes, including defects and pricing issues. Correction of such errors is completed in either scheduled Resettlement (M+4 and M+13) or in an ad hoc Resettlement. Measurement of this KPI is related to the number of SEMO upheld query incidents and Resettlements per Quarter. Multiple Upheld Queries for one incident shall be classified as one Upheld Query Incident. A Formal Query referencing a number of days shall be classified as one Upheld Queries Incidents. The resettlement queries assumptions to be applied are: i. Multiple Upheld Queries for one incident shall be classified as one Upheld Query Incident. ii. Planned outages, planned releases and ad hoc releases that have an impact on measurement of this KPI are excluded.	<3 incidents per Quarter	<10 incidents per Quarter	>10 <17	25%	+/- €125,000
3	General Queries	The percentage of occurrences where a General Query is not resolved within 12 business days. A General Query is defined within this metric as any request logged at the SEMO helpdesk.	99%	95%	91%	25%	+/- €125,000

		The general queries assumptions to be applied are: i. Queries unresolved for more than 12 business days are only counted once against the metric per quarter and not on a rolling basis. ii. If further information is requested following resolution of a query this can be counted as a new query. iii. If information requested is dependent on third parties and is outside of SEMO's control this does not impact on the calculation of the metric.					
4	System Availability	Availability of central market systems which the Market Operator has responsibility for according to their required availability. This is the ratio of the time systems are said to be in a functioning condition to the total time they are required to be available and covers the following; • Balancing Market systems on a 24-hour basis Monday to Sunday. • Settlement and Credit Clearing system between 9am - 5pm Monday to Friday. • Market Participant Interface on a 24-hour basis Monday to Sunday. • Registration system between 9am-5pm Monday to Friday. • 5. Website availability between 8am-6pm Monday to Friday.	99.9%	99.5%	99.1%	25%	+/- €125,000

		The system availability assumptions to be applied are: i. Planned outages, planned releases and ad hoc releases that have an impact on measurement of this KPI are excluded. ii. System Operator events beyond the control of the Market Operator are excluded from the metric. iii. Reporting and Market Monitoring system is not yet operational and therefore the Market Participant Interface will be monitored in its place until it is built and implemented. iv. The overall calculation of system availability is based on the average of the measured availability of systems 1-5 in the KPI, however when reporting on this KPI the system availability should be provided for each of the 5 systems.					
	Total					**100%**	**+/- €500,000**

Table 5.4a: SEMC decision suite of KPIs for SEMO during 2026 – 2029

6. Financeability

6.1 *Summary of RAs' consultation proposals*

One of the key considerations for the RAs in the 2024-29 price control is to assess SEMO's ability to remain financeable, under the financeability framework established in the previous price control.

The next SEMO price control sets the amount of money (allowed revenue) that can be earned by SEMO during 2024-29. Allowed revenues must be set at a level which covers SEMO's costs and allows it to earn a reasonable return subject to incurring efficient and demonstrably necessary costs which are incremental to other price controls. The SEMC has considered financeability in this price control in the round, rather than with reference to a single or group of financial ratios.

For SEMO to remain financeable it is said to be able to renumerate all sources of capital it needs to access for its operating and investment activities. SEMO has requested that two key components of this assessment are to change the RAB (Regulatory Asset Base) cost recovery to 'as-incurred' instead of 'as-commissioned', and that SEMO retains the Revenue Collection Margin allowance and the Parent Company Guarantee (PCG).

The RAs appointed consultants to review SEMO's financeability and each of the components which provides or could provide SEMO with a revenue stream. A summary of the RA's proposals is as follows:

- Consistent with the previous price control decision, the Revenue Collection Margin should not be renumerated as part of the regulatory framework. Except for year 1 which was decided through proxy tariffs to be €0.673M (in March 2024 prices) equivalent to 0.11% of expected revenue collection.
- Parent Company Guarantee (PCG) should be retained at the existing renumeration of €0.300M per year.
- Weighted Average Cost of Capital (WACC) is dependent on the TSO's Final Determination and subject to change from year 3 of the price control.
- RAB and depreciation are proposed to be renumerated on an as-incurred basis, as opposed to an as-commissioned basis.
- Symmetric KPI incentives are proposed to be introduced for this price control.
- Treatment of cloud expenditure will be in line with accounting standard IAS38.
- SEMO has not been and should not be remunerated for operational risk beyond the usual WACC/RAB remuneration as the RAs do not view SEMO as a high-risk business.

- SEMO's ability to make efficiencies through cost sharing mechanism of 25:75 where 25% of the cost savings be retained by SEMO and 75% will be given back to customers.
- No cap on the potential materiality of ex-post cost disallowance or a Demonstrably Inefficient and Wasteful Expenditure (DIWE) provision.

6.2 Responses to consultation

Energia noted that the RAs need to ensure monitoring of efficiency is effective given SEMO will now be less directly financially impacted by opex overspends. Energia was also of the view that the RAs must also be vigilant regarding the identified risk from the change to the treatment of capital additions and the impact on SEMO's incentives to deliver projects. Energia signified that it was comfortable with the approach outlined on the treatment of cloud opex as well as the removal of the collection agent margin.

SEMO were satisfied with the RA's proposals to move capitalisation to 'as-incurred', retention of the PCG and the introduction of cloud opex-capex exchangeability, an opex cost sharing mechanism and delta opex.

However, SEMO outlined that several financeability decisions bring the overall financeability of SEMO into question and put the ability for SEMO to fulfil license conditions at risk. SEMO states that the draft determination proposals reflect it has no entitlement to fair remuneration and compensation for activities undertaken. SEMO argues that this position is as a result of:

- The intent not to update the Weighted Average Cost of Capital (WACC) until year 3 of the control, ignoring current macroeconomic conditions.
- The proposed removal of the collection agent margin, the inference that SEMO should be expected to take on both this activity and the risk associated with it 'for free'.
- The cumulative downside risks which are faced by SEMO through the proposed regulatory and incentive framework.
- The apparent unequal treatment faced by EirGrid plc and SONI ltd as shareholders in the joint venture which is SEMO.

SEMO referenced that these issues are similar to issues decided by the UK Competition and Markets Authority (CMA) in the 2015-20 SONI TSO price control. Additionally, SEMO contends that proposals by the RA's imply a cross-subsidy, breaking license requirements by suggesting remuneration of the system operator means that remuneration of the licence operator is not required. It is asserted that the RA's have not considered a full and proper assessment of the financeability of SEMO including stress testing of scenarios.

SEMO's view was that a robust assessment of financeability was not taken within the Draft Determination. This is argued to be evidenced by outdated financeability metrics, a focus on debt metrics which are described as not useful in asset-light businesses and a lack of formal stress testing of financial models. SEMO included its own model showing the impact on EBIT margin the if the RAs' proposals were introduced. Additionally, SEMO contended that EBIT margin differed for each TSO element. SEMO then provided stress testing and a model where their recommendations were implemented, leading to a higher EBIT margin.

SEMO provided further details of each area of contention within their response, which can be found below.

Updates on WACC

SEMO stated that the SEMC failed to consider the differences between how the cost of capital for the TSO's are set. It is noted that treatment of operational gearing is different for each TSO, reflected in the SONI TSO cost of capital and an additional revenue stream of 0.25% for EirGrid. SEMO proposes either a weighted 0.25% margin uplift on SEMO's margins or to amend the cost of capital for the EirGrid TSO in its application in the SEMO PC, to reflect a higher asset beta due to the organisational risk of the SEMO business. SEMO states a preference for the margin uplift approach.

Furthermore, SEMO proposes SEMC confirm that the new EirGrid TSO cost of capital will be incorporated within the blended SEMO WACC, as soon as it becomes available. SEMO argues that it will not earn a return in year 1 and 2 of the price control as current conditions are not reflected in the blended WACC.

In addition, SEMO proposes the SONI cost of capital should be updated ahead of year 2 tariff-setting, in line with known changes in market data, to better reflect existing market conditions. SEMO argues that the delay to the SONI price control will leave SEMO earning a lower cost of capital for at least 2 years. SEMO also argues that it will face extended periods with cost of capital inconsistent with market conditions if the TSO price controls are misaligned in timing.

Ex-post disallowance cap or DIWE provision

SEMO referred to the fact that DIWE was implemented in the SONI TSO framework following the CMA Determination. It is maintained that the proposal to refuse to cap ex-post disallowances results in risk of disallowance after the event, creating financial risk around SEMO.

SEMO highlighted that the proposals in the Draft Determination have the effect of subjecting SEMO to a downside only truncated distribution, and therefore 100% asymmetric downside risk. It is noted that this is similar to the CMA decision to provide SONI with a 3% margin to help mitigate or facilitate assessment under CAPM.

Collection Agent Margin

SEMO's view on the collection agent margin is that SEMC must address the factual inaccuracies in relation to the support for collection agent revenue activities; specifically, the SEMC suggestion the capital to support the collection agent activities is remunerated through the EirGrid TSO and SONI TSO controls. SEMO argues this is not correct as it could be interpreted as a cross subsidy between licensees. SEMO contended the implication of this position is that SEMO should effectively carry out these activities on a gratis basis.

SEMO referred to other asset-light system operators including EirGrid, SONI and the GB NESO which have additional layers of revenue to provide a return on working capital balances and collection agent activities. SEMO argue that given this is inconsistent with the approach in SONI and EirGrid, it is erroneous to use the blended WACC if SEMO is not supported by similar layers of revenue.

SEMO's view is that the cost of the working capital facilities are recovered through the TSO, not remuneration for carrying out collection agent activities. SEMO propose a higher allowance than EirGrid to reflect the specific nature of its significant role as a collection agent and its relatively small asset base.

In summary, SEMO has requested four changes that would be needed to ensure that the price control is financeable:

1. The proposed allowances for opex and capex need to be reviewed and increased so as to avoid the potential for an inevitable under-recovery that would leave the business unable to withstand any adverse events.
2. A margin should be reinstated in the allowed revenues to provide appropriate recompense for undertaking collection agent activities. It is proposed that at least a 25bps margin is included.
3. The allowed return needs to be calculated on a correct blended basis including the EirGrid TSO operational gearing margin (18.75 bps on collected revenues taking into consideration the ROI portion only). In addition, the updated allowed return values need to apply from year 2 of the control, irrespective of when decisions are made by

the respective RAs on the TSO WACCs. For the SONI portion this will require an update for movement in market values to be made with potential ex post reconciliation when an updated WACC from SRP27 is available.

4. There needs to be recompense for the asymmetric risks. SEMO have used 3% margin in line with the rate used in SONI TSO.

6.3 RAs' comments

This section provides comments on each of SEMO's requested changes in their consultation response.

<u>Issue 1 - Opex and Capex review</u>

The positions taken by SEMC on SEMO's opex and capex allowances can be found in Chapter 3 and Chapter 4 of this document. The RAs have taken into account additional information that SEMO has provided as part of this process.

<u>Issue 2 - Revenue Collection Margin</u>

The RA's note that the Revenue Recovery Principles for SEMO and Designated NEMO (SEMOpx) from I-SEM go-live[18] (SEM-17-044) considered the merits of the RAB WACC approach vs. a margin approach which had been proposed by SEMO. In that consultation paper, the RAs undertook analysis on the applicability of both approaches and concluded that the RAB WACC approach would continue to be applicable. Participants broadly agreed with this approach, with the exception of SEMO.

The RAs were of the view that the RAB WACC approach to SEMO is robust and quantifiable. This is because the respective WACCs of the parent companies can be verified using market data and therefore is transparent for end customers.

Taking previous price control discussions and decisions into consideration, analysis by consultants reinforced that the TSC states that the costs of establishing and maintaining the Market Working Capital Credit Facility are recoverable through Market Operator Charges. The TSC also states that costs of any draw down on, and repayment of, the facility are recoverable through Imperfections Charges, which are part of the TSO price controls, levied on suppliers by SEMO but flowing through to SONI and EirGrid. Therefore, the consultants argued that

[18] SEM-17-044 Revenue Recovery Principles for SEMO and Designated NEMO

SEMO do not incur the cost of using EirGrid and SONI's facilities, this is recovered through the TSO price control frameworks.

Analysis of SEMO's BPQ by consultants found it provides detailed discussion of the liquidity risks that arise from management of the Capacity Market, RE, and Capacity Socialisation Fund, but does not provide explanation regarding its practical approach to manage the risks (i.e., use of the WCF and TSC provisions), nor the associated costs and route of recovery. There is a lack of recognition of the interaction with EirGrid and drawing on these funds.

The consultants outlined that SEMO's working capital requirement is not driven by the size of the payments involved, the lags between payment and receipt, and the variability of these lags, but rather is fixed by the requirement for it to hold a WCF of at least €150M. Despite SEMO forecasting an increase in total cashflows, associated with its collection agent role, to be significantly higher in the next regulatory period, the liquidity risk faced by SEMO in any one billing period is limited to its available working capital. On this basis, the consultants stated a margin-based approach for remuneration is not appropriate, given SEMO's total working capital needs do not vary by total revenues collected.

When assessing whether additional compensation to SEMO could be provided through a margin, RAs' consultants consider that its inclusion would be in relation to one of the following factors – as indicated by SEMO in their response to Draft Determinations:

i. Providing an allowance to reflect an 'opportunity cost' for undertaking the activity;
ii. Compensating for capital used to manage residual risks; or
iii. Compensating for equity capital used to support the working capital facilities.

In relation to point i, the opportunity cost of undertaking its activities, the cost of capital determined across all price control decisions aims not to provide supernormal profits and compensation for efficient opex costs of running activities. While it has been considered as a factor in some regulatory contexts, our consultants do not think that the opportunity cost argument necessitates the provision of the margin in this context, with compensation provided for a range of other market operator functions.

For point ii, our consultants, as stated above, considered the TSC and MO licence requirements which provide significant support, such there are no apparent residual risks that require compensation, as long as the remainder of the framework operates as SEMC intend.

With regards to point iii, our consultants are of the opinion that SEMO has not provided evidence that further contingent equity would be required in practice for the revenue collection agent function. SEMC has also previously signalled that the margin would be removed during this price control. Overall, our consultants consider it credible that the regime sufficiently compensates SEMO for the capital required in the business without the addition of a further margin.

Our consultants noted that the risks associated with the revenue collection agent function is very low and SEMO already receives compensation for the provision of €150M of debt capital (above their total risk exposure, as set by the TSC), in addition to remuneration for the provision of the SONI MO PCG. The compensation provided for the PCG, which is equal to c.€12M (or £10M), could be considered contingent equity. €12M of contingent equity as part of the provision of a total €150M capital requirement implies gearing of 92%. Consultants are of the view that this level of gearing is not incompatible with capital structures used for low-risk infrastructure projects and thus, SEMC is reasonable in assuming that such a capital structure is plausible. This implies that no further contingent equity capital is required in the business. As the capital required (i.e. €150M) is dictated by the TSC rather than the size of the cashflows, a margin may not be the correct tool to compensate for a fixed value of contingent equity. Larger margins would only be justified if there were material residual risks, which they do not think SEMO face.

Our consultants also note that this would be a more highly geared structure than assumed by SEMO in their consultation response, which considers that three times more contingent equity would be required in the business. They do not consider this position to be unreasonable, but are not convinced that sufficient evidence has been provided to justify additional contingent equity is necessary.

Accordingly, RAs propose to phase down the margin to 0 from year 2 in accordance with the SEMC decision during PC2021-24 until RAs are made aware of any material impact it has on SEMO's overall financeability.

Issue 3 - Update on WACC

In their consultation response, SEMO proposed that the WACC should be updated and adjusted for increased allowances for operational risk in terms of gearing. SEMO argue that calculations should be updated to consider the different approaches to gearing in SONI versus EirGrid. SEMO have thus argued for either an increase in margin uplift for SEMO or increase the cost of capital for EirGrid.

Additionally, SEMO have also requested a true up for year 2 of the price control in their BPQ submission and have subsequently requested a true up for the first year of the price control in their consultation response.

The blended WACC approach was agreed and has been operational even before ISEM was established (SEM-17-044). The RAs are of the view that the WACC RAB approach to SEMO is robust and quantifiable and the respective WACCs of the parent companies can be verified using market data and is transparent for end customers.

RAs have reassessed the draft determination decision of updating the WACC from year 2 and acknowledges SEMOs argument that the current WACC was set in a different macroeconomic circumstance. RAs' proposed approach is to update the WACC from the point at which new TSO values are available, which may be at different points within the period, and with a true-up applied to reflect its application throughout the whole period. This is to reflect the current macroeconomic environment in which SEMO operates. The RAs are of the view that any adjustment for operational gearing should be made directly in the cost of capital for both SONI and EirGrid upcoming determinations.

<u>Issue 4 - Margin on "cost"</u>

Under issue 4, SEMO argues that a 3% margin on "costs" should be included following the CMA decision to introduce a similar mechanism for SONI in 2017. The RAs note that the 3% margin for asymmetric risk was not part of the BPQ for 2024-29 price control submission and the cost basis was not clearly explained in SEMO's response to the consultation.

<u>Overview of previous allowances</u>

As outlined above the SEMO price control has evolved since 2007 with the size of the RAB changing to accommodate market reforms in 2007 and 2018. The RAB decreased following the implementation of SEM in 2007 and this can be seen in the decreasing returns as infrastructure is depreciated. To accommodate this change, there was an introduction of margin in 2018 to reflect the asset light nature of SEMO post ISEM Go Live in 2018. The subsequent decision by SEMC to phase down the margin was appropriate following the increase in the asset base during the 2021-24 price control.

There is a significant increase in capital expenditure during the 2024-29 price control as assets are replaced. This results in the RAB reaching level similar to those experienced following the post SEM peak. This will increase in the future as market reforms gather pace.

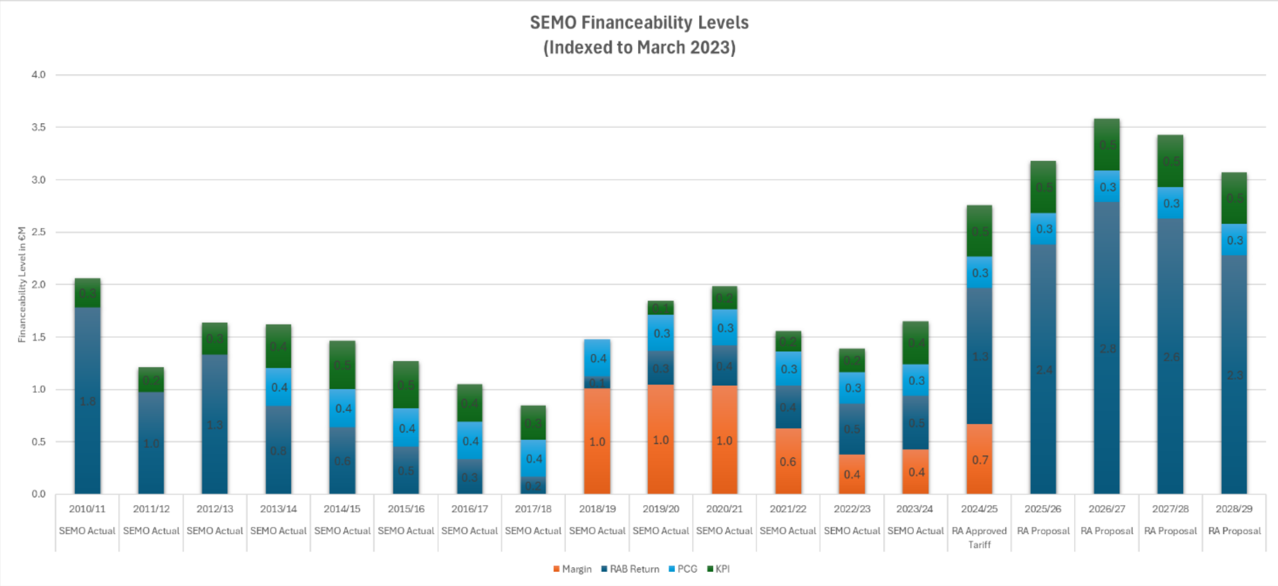


Figure 6.3: SEMO financeability 2010/11-2028/29

Overall implication of RAs' proposals listed above is resulting in an EBIT margin of 6.53% which is higher than Draft Determination calculation of 4.5%. However, RAs have assessed the financeability of the price control in the round rather than with reference to a single or group of financial ratios.

6.4 SEM Committee decision

Consideration of SEMO's financeability has led the SEMC to determine that:

- The approach to SEMO's WACC (in SEM-17-44) will continue to apply. A blended WACC will be used (based on that calculated for the EirGrid TSO/SONI TSO price controls and apportioned 75:25) which will be a trued-up from year 1;
- PCG will continue to be allowed at €300K p.a.
- The Revenue Collection Margin will be phased down to 0 from year 2 with no change in providing a margin for year 1 at €0.653M.
- There will be no introduction of margin for asymmetric risk.
- No additional margin will be introduced for other operational risk.

7. Summary of Decision

7.1 Summary of SEM Committee decision

Underpinning the RAs' proposals for the SEMO 2024-29 price control was a backdrop of views and feedback provided by the SEMO Working Group[19] which was established in March 2024. The RAs and SEMC have taken into account stakeholder feedback to the consultation in compiling this decision, shown in the table below:

	PC2021-24	RAs' Proposal for PC2024-29	SEMC Decision for PC2024-29
Approach to Opex Efficiency	RPI-x; where x denotes efficiency of 0.3%	RPI-x; where x denotes efficiency of 0.3%	RPI-x; where x denotes efficiency of 0.3%
Approach to Capex	Pass-through (i.e. as per actual spend capped at ex-ante allowance)	Pass-through (i.e. as per actual spend capped at ex-ante allowance)	Pass-through (i.e. as per actual spend capped at ex-ante allowance)
PCG	€0.300M per year	€0.300M per year	€0.300M per year
WACC Rate	Blended; 3.86% per year	Blended; Year 1 & 2 – 3.86% Year 3 to 5 – 4.77% (subject to TSOs determination)	Blended; Year 1 to 5 – 4.77% (subject to TSOs determination)
Revenue Collection Margin	Year 1 – 0.150% (€0.629M) Year 2 – 0.125% (€0.383M) Year 3 – 0.100% (€0.307M)	Year 1 – €0.653M (approx. 0.11%) Year 2 onwards – Phase down to zero	Year 1 – €0.653M (approx. 0.11%) Year 2 onwards – Phase down to zero
Opex Breakdown	No provision of delta opex & cloud opex	Introduction of delta opex & cloud opex	Introduction of delta opex & Cloud opex
Cost Sharing (Opex)	SEMO keeping / bearing full underspend / overspend	Mechanical cost sharing of 25:75; Applied to Core + delta opex	Mechanical cost sharing of 25:75; Applied to Core + delta opex

[19] The Group was represented by Electricity Association of Ireland, Energia Group, Wind Energy Ireland, Renewables NI, Tynagh Energy and Lumcloon Energy Federation of Energy Response Aggregators

		(delta opex allowance to be readjusted during tariff process)	(delta opex allowance to be readjusted during tariff process)
Re-opener (Cloud IT Projects)	No Provision	Cloud opex re-opener to support exchangeability between cloud opex and predictable IT capex	Cloud opex re-opener to support exchangeability between cloud opex and predictable capex
Return on RAB	On Projects Commissioned	On Capital Expenditure Incurred	On Capital Expenditure Incurred
Depreciation	On Projects Commissioned	On Capital Expenditure Incurred	On Capital Expenditure Incurred
KPIs	Pot – 4% of opex per year; Incentive – Asymmetrical; No. of KPIs – 4	Pot – €0.500M per year; Incentive – Symmetrical; No. of KPIs – existing 4 Bounds – Change (tighter)	Pot – €0.500M per year; Incentive – Symmetrical; No. of KPIs – existing 4 Bounds – Change (tighter)

Table 7.1a: Summary of 2024-29 SEMO price control decisions

8. Next Steps

8.1 Regulatory reporting and involvement of market participants going forward

Throughout this document, the RAs have proposed enhancements to SEMO's reporting regime to include (but not limited to) capital projects, market system release vendor hours and KPIs; we envisage that this will include more involvement from and engagement with market participants as appropriate.

The SEMO Focus Group will continue to meet in order to provide feedback on the performance and development of SEMO throughout the price control period.

The RAs will engage with SEMO over the coming months to review the current suite of reporting arrangements and discuss what changes can be implemented. We expect that, in advance of any change, participants will be asked for views ensure value-add for consumers.

8.2 Future price control reviews

SEMO is reminded that price control submissions are expected to be of a high quality for review by the RAs.

Going forward, the RAs will consider introducing scoring for any MO business cases.

Annex A: KPIs for FY2024/25

KPIs for first year of the PC2024-25 along with their definitions and weightage are as follows:

No	KPI Name	Definition and Specification	Lower Bound	Upper Bound	Weightage	Max Reward Available
1	Invoicing	The percentage of occurrences where invoices to participants are published on time, as defined in the TSC (as amended from time to time) • The target for the "Weekly Trading Payments and Trading Charges (Balancing /Imbalance (BALIMB)) Settlement Documents" to be produced by 12:00 5 working days after each Billing Period. • The target for Capacity settlement documents is 12:00 10 working days after the end of each month. *[as per letter issued to SEMO on 11th July 2023]*	97%	100%	26% * 0.5	€130,000 * 0.5
2	SEMO Resettlement Queries	The number of upheld formal queries from market participants which have identified errors in settling the market which are attributed to SEMO's operation and processes, including defects and pricing issues. Correction of such errors is completed in either scheduled Resettlement (M+4 and M+13) or in an ad hoc Resettlement.	<15 incidents per Quarter	<5 incidents per Quarter	32%	€160,000

		Measurement of this KPI is related to the number of SEMO upheld query incidents and Resettlements per Quarter. Multiple Upheld Queries for one incident shall be classified as one Upheld Query Incident. A Formal Query referencing a number of days shall be classified as one Upheld Queries Incidents.				
3	General Queries	The percentage of occurrences where a General Query is not resolved within 15 business days. A General Query is defined within this metric as any request logged at the SEMO helpdesk.	95% resolved in 15 days	99% resolved in 15 days	16%	€80,000
4	System Availability	Availability of central market systems which the Market Operator has responsibility for according to their required availability. This is the ratio of the time systems are said to be in a functioning condition to the total time they are required to be available and covers the following; • Balancing Market systems on a 24-hour basis Monday to Sunday. • Settlement and Credit Clearing system between 9am - 5pm Monday to Friday. • Market Participant Interface on a 24-hour basis Monday to Sunday. • Registration system between 9am-5pm Monday to Friday. • 5. Website availability between 8am-6pm Monday to Friday.	99%	99.9%	26%	€130,000