



## **Energia Response to SEM-25-028**

***Imperfections Charges October 2025 – September  
2026 and Reforecast Report October 2023 –  
September 2024***

**25 July 2025**

## **1 Introduction**

Energia welcomes the opportunity to respond to SEM-25-028 on imperfections charges for 2025-26 and the reforecast report for 2023-24. Energia is a vertically integrated utility that owns over 1GW of flexible and renewable generation and serves almost 900,000 customers as a supplier across the island of Ireland.

## **2 Imperfections Charges for Tariff Year 2025-26**

Energia notes the forecast increase in imperfections for 2025-26 to €608.81m, the K-Factor adjustment of €183.43m, and the provision for payments to market participants under Article 13 of Regulation (EU) 2019/943 of €91m, which collectively comprises an imperfection charge for the year of €883.24m.

### ***2.1 Interconnector Flows and Renewable Energy Sources (RES) Capacity Updates***

Energia notes that RES and interconnector flows has the greatest inflationary impact on imperfection costs for 2025/26 at €104m. The primary change for 2025/26 is likely to be the increased imports from GB over the Greenlink Interconnector.

The substantial increase in imperfection costs as a result of increased interconnector imports must be assessed as part of cost benefit analysis of any future interconnection on the island of Ireland.

In its response to the CRU's consultation on the Initial Project Assessment of MARES Connect Limited, Energia presented a report from NERA that identified how such costs could be modelled. The costs could potentially run to the hundreds of millions and even billions of euros over the lifetime of an interconnector.

Third-party forecasts such as AFRY's modelling for the 2024 Future Framework for Offshore Renewable Energy project that Ireland will continue to predominantly import over its interconnectors into the 2040s. It is therefore highly likely that an increase in interconnection will lead to a continuation of the inflationary impact on imperfections seen for 2025/26, and this should be accounted for in both the cost-benefit assessment of individual interconnectors and overall interconnection policy for Ireland and Northern Ireland.

## **3 Potential Actions the TSOs/RAs could take to minimise Imperfections Charges**

SEM-25-028 requests stakeholder views on actions the TSOs/RAs could take to minimise imperfections charges for the upcoming tariff year and in the medium to long term timeframe.

### ***3.1 Actions the TSOs/RAs can take to reduce imperfections***

It is crucial that the SOs have sufficiently strong incentives to reduce imperfections. Full implementation of Article 13, including the cost of foregone financial support, would recognise the true cost to generators of system constraints and provide greater incentives on the SOs to resolve those constraints. The incentives included under the price control framework are insufficient to ensure that the SOs are financially incentivised to deliver on reducing imperfections.



In Northern Ireland, the Dispatch Down Action Plan, published at the end of 2024, sets out a range of actions that SONI commits to taking over the short, medium and long term to reduce dispatch down and subsequently the cost of imperfections. These range from facilitating technologies such as Synchronous Condensers and Long Duration Energy Storage, actions to reduce operational constraints such as reducing the minimum number of conventional units, and the physical delivery of new infrastructure including the North-South Interconnector

Energia supports the urgent implementation of the Dispatch Down Action Plan, and requests that Eirgrid produce a similar plan to tackle imperfections in RoI. Many of the actions required to reduce physical and operational constraints are identified in existing publications such as Shaping Our Electricity Future v1.1 and the Operational Constraints Roadmap 2025-35. It is through the timely implementation of measures identified in such documents that constraint costs will ultimately be reduced.

### ***3.2 Consideration of ways to reduce future imperfections costs***

Section 5 of SEM-25-028 proposes the modification of the TSC to change how units dispatched away from their FPN for non-energy reasons are settled. Energia is strongly opposed to such a change. The proposed change would represent a fundamental shift in the design of the SEM, in how participants are incentivised to provide critical balancing services, and in how the TSO is incentivised to schedule and dispatch the system.

To proceed with such a proposal would displace valuable time and resources away from implementing the system actions already identified above that are required to reduce constraint and curtailment on the system. Further, it would send the wrong signals to investors that have made their current investments based on the existing market design and would negatively impact the perception of Ireland and Northern Ireland as a stable and predictable environment for much needed future investment.

Such a fundamental market change is neither a targeted nor proportionate response to an increase in imperfections costs, that as noted in the consultation paper is a phenomenon being seen across Europe and is primarily attributable to increasing fuel costs, the realities of the energy transition, and under-investment in the grid.

Energia would caution strongly against a knee-jerk reaction based particularly as a response to unusual events that have driven costs above forecasts for 2024-25. A targeted and proportionate response is to work to ensure that the right incentives are in place to require the SOs and RAs to take the actions required for the development of the system.

### ***3.3 Alternative measures to smooth imperfection costs***

Energia notes the trend over recent years of fluctuating imperfections as set out in Figure 2 of the consultation paper. In particular there has been more variance over the past four years, this variance in the imperfection charges exposes the customer to high volatility.

Energia believe there would be merit in carrying out a multi-annual calculation of the charges over a longer period e.g., looking at two years or four years in advance. As suggested by Energia in previous years' responses, with a longer-term forecast approach, a decision could be taken to spread cost increases over a longer period and

therefore smoothing the charge across future years. This would mean the customer is exposed to much less volatility. This is consistent with the approach already taken in the case of gas tariffs.