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Response to the Regulatory Authorities Consultation on SEM-25-028 Imperfections Charges October 2025 – September 2026 and Reforecast Report October 2023 – September 2024 Consultation Paper

Dear Sir/Madam,

Flogas Ireland (FI) welcomes the opportunity to respond to the Regulatory Authorities (the RAs, i.e. **UR & CRU**) Consultation on SEM-25-028 Imperfections Charges October 2025 – September 2026 and Reforecast Report October 2023 – September 2024 Consultation Paper. As a leading energy supplier committed to market transparency and consumer empowerment, we broadly support the RA's ongoing efforts to understand Imperfections Charges and to ensure these costs are managed efficiently and fairly. We believe this process plays a key role in strengthening consumer and stakeholder confidence and fostering long-term improvements in market design. While we are broadly supportive of the analysis and methodology presented, we believe there are areas where additional clarity or refinement could further improve the robustness of the approach and the confidence of market participant.

Flogas, a DCC plc Group business, was established in 1978 and is a leading supplier of Liquefied Petroleum Gas (LPG), Natural Gas and Electricity across the island of Ireland, servicing a diverse range of market sectors and applications including the industrial, commercial, domestic, catering, agricultural and automotive markets.

Our vision is to be Ireland's leading provider of total energy solutions to meet customers changing requirements, delivered to the highest possible standards. We have an esteemed reputation within the energy industry and have been awarded the NSAI Quality System Certificate from the I.S. EN ISO 9001 Series.

This consolidated response is being provided on behalf of Flogas Enterprise Solutions Limited, Flogas Natural Gas Limited, and Budget Energy Limited. Our responses to the respective questions are provided below. If there are any queries in relation to our submission, we would be happy to discuss in greater detail at any point.

FI Responses to Consultation

FI welcomes the opportunity to respond to the RA's consultation on SEM-25-028 Imperfections Charges October 2025 – September 2026 and Reforecast Report October 2023 – September 2024. Flogas Ireland acknowledges the significant work undertaken by the TSOs and the Regulatory Authorities in preparing the forecast for the Imperfections Charge for Tariff Year 2025/26. We recognise that the rising cost trend reflects a combination of system, market, and network factors, and we appreciate the transparent consultation process on these important issues.

Forecasted Cost Components and Assumptions

Flogas Ireland acknowledges the TSOs efforts to improve the accuracy of cost forecasting. We welcome the intention to refine modelling assumptions and inputs to better reflect the realities of the system. Improving transparency and costs more reflects positive steps forward. When applied consistently, these improvements can help create a more balanced and sustainable environment for all market participants.

However, Flogas Ireland have concerns about two components within the TSOs proposed costs: the €75 million attributed to Generator Outages and the €91 million provision for Article 13 payments under Regulation (EU) 2019/943.

The €75 million allocated for forecast generator outages represents a substantial increase over previous years and appears to be largely based on updated Commercial Offer Data and a revised PLEXOS modelling methodology. However, no comparative analysis has been presented to explain the basis for this sharp escalation. In an open letter to Market Participants dated 4th March 2025, the SEM Committee raised concerns that certain generator bidding practices would lead to increased imperfection costs.¹

In our view, at a minimum, the TSOs should be required to justify the abandonment of previous proxy data methodologies, and to produce a detailed comparison of 2024/25 and 2025/26 generator Commercial Offer Data and Outage Forecasts. Such transparency is vital to determine whether the increased costs are based on genuine system outcomes or if they reflect emerging strategic behaviours by some market participants that lead to inefficient market outcomes and increased imperfection costs. Ultimately, FI are of the

¹ <https://www.semcommittee.com/files/semcommittee/2025-03/SEM-25-003%20Letter%20to%20Industry%20-%20Markets%20Participation%20Guidance%20-%20March%202025.pdf>

opinion that consumers should be protected from these potentially concerning bidding behaviours and that proxy Commercial Offer Data should be used within the PLEXOS model for the forthcoming tariff year 2025-2026, similar to previous years.

With regard to the €91 million provision for Article 13 payments, Flogas Ireland believes its inclusion in the 2025/26 tariff is premature. This sum includes €54 million in backdated cost estimations dating from January 2020 to September 2025, and €37 million for projected 2025/26 liability. Yet as highlighted in the consultation paper, the SEMC Decision associated with these is currently under a judicial review process. There is a lack of transparency as to how these potential payments to market participants were estimated, especially given the significant impact they have on imperfections costs. FI would be of the opinion that until there is legal clarity, such provisions should be removed from any approved cost base. Should this backdated cost be approved in the future, FI propose that this be spread over a 5-year period to minimise the impact on end customers.

K-Factor Adjustment

Flogas is of the view that the proposed K-factor adjustment of €183.43 million driven primarily by an under-recovery in 2024/25 marks the single largest such adjustment in the SEM's history. The fact that the SEM Committee declined to approve a mid-year adjustment in May 2025 underscores the need for a more measured and consumer-sensitive recovery approach².

Attempting to recover this entire amount within a single tariff year introduces significant volatility for both suppliers and consumers. Flogas Ireland believes a more appropriate and equitable solution would be to spread this recovery over more than one tariff period. This approach would smooth the price impact and provide greater stability to consumers, who are already experiencing increased pressure from energy costs.

Minimising Medium to Long-Term Imperfections Charges

Flogas Ireland welcomes the RA's continued focus on longer-term solutions to drive efficiency, and create a more competitive, transparent market. These long-term objectives are fundamental to achieving a lower-cost, decarbonised electricity system. However, Flogas Ireland believes that the market continues to suffer from structural problems that drives to Imperfections Charges. Many of the remedies are known and have been previously outlined in guidance papers and consultations led by the SEM Committee³. However, progress on implementation has been limited.

² https://www.semcommittee.com/files/semcommittee/2025-06/Imperfections%20Mid%20Year%20Review%202425_v2%20Information%20Paper.pdf

³ [SEM-21-026 Consultation on Dispatch, Redispatch and Compensation Pursuant to Regulation EU 2019943.pdf](#)

Flogas Ireland highlight that to review earlier proposals particularly those that clarify and reform redispatch compensation, incentivise efficient participant behaviour, and ensure system requirements are met at least cost. In parallel, delivery of key system investments such as the North-South Interconnector must be prioritised. These enhancements have a direct and measurable effect on reducing constraint costs and improving dispatch efficiency.

Consumer Impact

Flogas is of the opinion that customer is the centre of all. The proposed Imperfections Price of €22.28/MWh would translate into an additional €32.17 on an average domestic electricity bill in Ireland, and £27.91 in Northern Ireland. These increases are not marginal. They represent a material cost impact on every household and business at a time when energy affordability is already under pressure due to other external and internal factors.

Flogas Ireland believes we need to focus on consumers more during the Imperfections Charge-setting process. Future proposals should be accompanied by consumer impact assessments that clearly outline the scale of potential bill increases. Furthermore, a tolerance threshold could be introduced to trigger additional review and justification when forecast increases exceed a certain level.

Conclusion

FI would like to thank the Regulatory Authorities for the opportunity to respond to each of the matters contained within this consultation. We recognise the complexity involved in forecasting and managing imperfections, particularly in the context of a rapidly evolving energy system. Nonetheless, the proposed €883.24 million Imperfections Charge for 2025/26, is a significant increase on previous years. We respectfully urge the Regulatory Authorities to reconsider the proposals in light of their impact on customers, and to adopt a more balanced, transparent and forward-looking approach to cost recovery and system operation. In doing so, the RA's can signal a renewed commitment to fair, efficient, and transparent market operations ones that place the needs of consumers at their core.

Jyothish Krishna

Regulation and Compliance Department

On behalf of Flogas Ireland