# Single Electricity Market (SEM)

## Trading and Settlement Code

## SEM Operational Parameters 2026 Decision Paper

SEM-25-058

11 November 2025

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## 1. Introduction

Under the terms of the SEM Trading and Settlement Code (TSC), the Regulatory Authorities (RAs) shall determine certain parameters proposed by the Market Operator (MO) and the Transmission System Operators (TSOs; EirGrid and SONI), as applicable, in relation to the calculation and treatment of participants' Required Credit Cover and matters related to Imbalance Settlement.

In May 2025 therefore, the RAs requested SEMO to review the parameters utilised in the calculation of Required Credit Cover and to review the Price Materiality Threshold.

On 24 July 2025, the RAs received reports from SEMO (SEM-25-043a and SEM-25-043b)[1] outlining their recommendations for the proposed values for the above parameters. The RAs subsequently published a consultation paper (SEM-25-043), requesting the views of market participants on SEMO's recommendations.

This paper presents the RAs' decision in relation to the operational parameters consulted on, and is structured as follows:

**Section 2**: identifies the Credit Cover parameters that were reviewed by SEMO, summarises the stakeholder response to the consultation and details the SEM Committee decision on the 2026 values for these parameters.

**Section 3**: identifies the SEM Price Materiality Threshold that was reviewed by SEMO, summarises the stakeholder response to the consultation and details the SEM Committee decision on the 2026 value for this.

**Section 4**: outlines next steps.

[1] SEM-25-043a is SEMO's recommendation report on Credit Cover parameters; SEM-25-043b is SEMO's recommendation report for Price Materiality Threshold

# 2. Parameters for the Determination of Required Credit Cover

## 2.1 Overview

The TSC sets out the rules for the calculation of Required Credit Cover for Participants. The calculation recognises that the Required Credit Cover for each Participant is made up of known and unknown exposures. The known exposure is based on invoiced amounts and published Settlement values. The unknown exposure, called the Undefined Exposure, is based on statistical analysis of known historical values of Settlement or Pricing. New or Adjusted participants, those whose historical values of Settlement are unknown or not reflective of current levels of trade, have their Required Credit Cover calculated using forecast volumes against prices calculated from known prices, while Standard Participants have their Required Credit Cover calculated using known Settlement values.

In each of these calculations, and in the day-to-day Credit Assessment process, a number of parameters are used. Under paragraph G.10.1.1 of the TSC, the Market Operator is required to "report to the RAs at least four Months before the start of the Year", proposing values for the parameters for the determination of Required Credit Cover. These parameters are listed below:

- the Fixed Credit Requirement;
- the Historical Assessment Period;
- the Analysis Percentile Parameter;
- the Credit Cover Adjustment Trigger;
- the Warning Limit; and
- the Breach Limit.

The RAs also requested SEMO to report on, and propose a value for, the Undefined Exposure Period parameter. All of these parameters are explained below:

I. **Fixed Credit Requirement Parameter ($FCR_{py}$):** This sets out the value of the Required Credit Cover that must be in place for each registered Supplier Unit or Generator Unit. A value will be required for all trading unit types, including Assetless Traders.

II. **Number of Days in the Undefined Exposure Period g ($UEPBD_g$):** The number of days in the Undefined Exposure Period, g, the period for which settlement amounts are not known, but where participants are incurring, or could incur, further liability until they are removed from the market.

III. **Number of days in the Historical Assessment Period (DINHAP):** The number of days in the Historical Assessment Period is the number of days prior to the day of the issue of the latest relevant Settlement Document over which a statistical analysis of a Participant's incurred liabilities shall be undertaken in order to support the forecasting of undefined liabilities for that Participant. This will be the number of historical days over which the analysis quantities, prices, or settlement values will be carried out for the purposes of forecasting values for the calculation of exposure over the Undefined Exposure Period, eventually used to determine the level of Required Credit Cover for each participant.

IV. **Analysis Percentile Parameter (AnPP):** This is the z-score value taken from the standard normal distribution that determines the percentile confidence value that the Actual Exposure for each Participant, once determined, will fall below the estimate of the Undefined Potential Exposure.

V. **Credit Cover Adjustment Trigger:** The expected percentage change in future generation or demand that leads a participant to report to SEMO that it should become an Adjusted Participant rather than a Standard Participant and have its Credit Cover requirements calculated from its forecasts of future demand or generation.

VI. **Level of Warning Limit:** If the ratio of a Participant's Required Credit Cover to its Posted Credit Cover exceeds the value of this parameter a Warning Notice will be sent to the Participant.

VII. **Level of Breach Limit:** If the ratio of a Participant's Required Credit Cover to its Posted Credit Cover exceeds this value a Credit Cover Increase Notice is issued, which will require remedy by the Participant, including by posting additional Credit Cover.

## 2.2 SEMO's Proposals

SEMO's report (SEM-25-043a) reviews the values that these parameters have been set to since Go-Live of the revised SEM arrangements in 2018. SEMO propose no changes to the Required Credit Cover parameters for the 2026 calendar year. In 2023 the Number of Days in the Historical Assessment Period (DINHAP) was changed to 60 days for SEM year 2024. This parameter had previously been set to a value of 100 days since 2018.

The reason SEMO is proposing to maintain the value of DINHAP at 60 days is due to the volatility that the market has seen in the last few years. From the analysis presented by SEMO in their report, the Undefined Exposure values and the Credit Assessment Price are similar for DINHAP values of 60 days and 100 days when prices are stable. However, when prices become volatile, a larger DINHAP reacts more slowly to sudden changes.

Table 1 summarises SEMO's proposed values for the Credit Cover parameters for 2026.

**Table 1.** Credit Cover Parameters – approved values for 2025 and proposed values for 2026

| Parameter | 2025 SEM Approved Values | 2026 SEMO's Proposed Values |
|---|---|---|
| Fixed Credit Requirement ($FCR_{py}$) for Generator Units | €5,000 | €5,000 |
| Fixed Credit Requirement ($FCR_{py}$) for Supplier Units | Based on a rate of €8.77/MWh of average daily demand subject to a minimum value of €1,000 and a maximum of €15,000 | Based on a rate of €8.77/MWh of average daily demand subject to a minimum value of €1,000 and a maximum of €15,000 |
| Number of Days in the Undefined Exposure Period for each Undefined Exposure Period, g, $UEPBD_g$ | 7 | 7 |
| Number of days in the Historical Assessment Period, DINHAP | 60 Days for Trading and Capacity | 60 Days for Trading and Capacity |
| Analysis Percentile Parameter, AnPP | 1.645 | 1.645 |
| Credit Cover Adjustment Trigger | 30% | 30% |
| Level of the Warning Limit | 80% | 80% |
| Level of the Breach Limit | 100% | 100% |

## 2.3 Respondent's Comments

**General Overview**

The SEM Committee received a single response to the consultation, from Bord Gáis Energy (BGE, SEM-25-058a), in which they agreed with the proposed values contained within the consultation paper.

**Summary of Response**

No objections were raised by the respondent regarding the proposed values for the Credit Cover parameters.

In their response BGE seeks clarification on whether the 60-day Historical Assessment Period (HAP) is intended as an enduring measure, or if there is an intention to increase the HAP to 100 days should price stability continue.

## 2.4 SEM Committee Response

As outlined in SEMO's report, market prices have shown greater stability since September 2022. While SEMO's analysis indicates that the impact of varying DINHAP values becomes less pronounced under stable conditions, the recommendation to retain the 60-day period reflects a forward-looking approach that accounts for the possibility of renewed volatility by being more reactive to sudden changes in market prices.

Having evaluated SEMO's submission, and with no objections being raised by participants, the SEM Committee's decision is that the values for Credit Cover parameters shall remain unchanged for 2026, as was proposed in SEMO's report.

## 2.5 SEM Committee Decision

A summary of the decisions made by the SEM Committee in relation to the Credit Cover parameters are displayed in Table 2.

**Table 2.** Credit Cover Parameters –proposed and approved values for 2026

| Parameter | 2026 SEMO's Proposed Values | SEM Committee Decision |
|---|---|---|
| Fixed Credit Requirement ($FCR_{py}$) for Generator Units | €5,000 | €5,000 |
| Fixed Credit Requirement ($FCR_{py}$) for Supplier Units | Based on a rate of €8.77/MWh of average daily demand subject to a minimum value of €1,000 and a maximum of €15,000 | Based on a rate of €8.77/MWh of average daily demand subject to a minimum value of €1,000 and a maximum of €15,000 |
| Number of Days in the Undefined Exposure Period for each Undefined Exposure Period, g, $UEPBD_g$ | 7 | 7 |

| Parameter | 2026 SEMO's Proposed Values | SEM Committee Decision |
|---|---|---|
| Number of days in the Historical Assessment Period, DINHAP | 60 Days for Trading and Capacity | 60 Days for Trading and Capacity |
| Analysis Percentile Parameter, AnPP | 1.645 | 1.645 |
| Credit Cover Adjustment Trigger | 30% | 30% |
| Level of the Warning Limit | 80% | 80% |
| Level of the Breach Limit | 100% | 100% |

# 3. Price Materiality Threshold

## 3.1 Overview

The Price Materiality Threshold refers to the threshold, approved from time to time by the Regulatory Authorities under paragraph B.19.3.1(b) of the TSC, which is applied in the event of a Pricing Dispute or where a manifest error is identified by the Market Operator for the purpose of Repricing.

The Price Materiality Threshold tests when a change to input data as a result of an upheld dispute causes a change in the price greater than the threshold. If the Price Materiality Threshold is exceeded, the price is recalculated and included in a Settlement re-run.

## 3.2 SEMO's Proposal

SEMO propose to make no changes to the value of this parameter for 2026 in their report (SEM-25-043b). This is summarised in Table 3 below.

**Table 3.** Price Materiality Threshold – approved value for 2025 and proposed value for 2026

| Parameter | 2025 SEM Approved Value | SEMO's Proposed Value for 2026 |
|---|---|---|
| Price Materiality Threshold | 5% | 5% |

## 3.3 Respondent's Comments

**General Overview**

The SEM Committee received a single response to the consultation, from Bord Gáis Energy (BGE, SEM-25-058a), in which they agreed with the proposed value contained within the consultation paper.

**Summary of Response**

In their response BGE agrees to maintain the Price Materiality Threshold parameter at least at its existing value of 5% for 2026 to reduce any unnecessary complexity with the repricing process.

## 3.4 SEM Committee Response

Having considered the response to this consultation and evaluating SEMO's submission, the SEM Committee's decision is that the value for Price Materiality Threshold will remain unchanged for 2026, as was proposed in SEMO's report.

## 3.5 SEM Committee Decision

A summary of the decision made by the SEM Committee in relation to the Price Materiality Threshold is summarised in Table 4 below.

**Table 4.** Price Materiality Threshold –SEMO's proposed value for 2026 and approved value for 2026

| Parameter | SEMO's Proposed Value for 2026 | SEM Committee's Decision |
|---|---|---|
| Price Materiality Threshold | 5% | 5% |

## 4. Next Steps

These parameters will apply from 1 January 2026 until 31 December 2026. A consultation will be carried out in 2026 to determine the values to apply from January 2027, as required. The Trading and Settlement Code provides for the RAs amending the values of parameters where necessary outside the normal parameter-setting process. While this would only arise in exceptional circumstances, the RAs have an obligation to balance regulatory certainty with ensuring that no unnecessary consumer harm arises. On this basis, the RAs will keep all parameters under observation and may propose changes in the interim, if necessary, via consultation.