



**Single Electricity Market
(SEM)**

**Capacity Remuneration Mechanism
2026/27 T-1 Capacity Auction Parameters**

Consultation Paper

SEM-25-068

08 December 2025

1. EXECUTIVE SUMMARY

Under the revised SEM arrangements, implemented in October 2018, capacity revenues are allocated by capacity auction for a relevant capacity year. Prior to each capacity auction, a number of capacity auction parameters must be set. The list of parameters to be determined by the Regulatory Authorities is described in paragraph D.3.1.3 of the Capacity Market Code.

This paper describes the SEM Committee's proposals for the relevant parameters to apply in the T-1 2026/27 capacity auction, scheduled to take place on 23 July 2026. This is a supplementary auction to the T-4 2026/2027 auction held on 23 March 2023. This auction procured 7204.344 MW¹ of de-rated capacity.

The proposed parameters for consultation are:

D.3.1.3 ref	Parameter	Proposed Value for 2026/27 T-1 capacity auction
a	De-Rating Curves, defining De-Rating Factors by unit Initial Capacity and by Technology Class (including Interconnectors)	To be determined by System Operators (SOs) prior to publication of Initial Auction Information Pack.
b	Capacity Requirement	To be determined by SOs prior to publication of Initial Auction Information Pack (IAIP).
c	Indicative Demand Curve	The Demand Curve will be based on the following principles: <ul style="list-style-type: none">• horizontal at the Auction Price Cap between 0MW and 100% of the Net Auction Requirement (after deduction of Previously Awarded Capacity);

¹ [FCAR2627T-4-report.pdf](#)

D.3.1.3 ref	Parameter	Proposed Value for 2026/27 T-1 capacity auction		
		<ul style="list-style-type: none"> • vertical at 100% of the Net Auction Requirement (after the deduction of Previously Awarded Capacity) between the Auction Price Cap and Net CONE; • and thereafter, a straight-line slope with a zero-crossing point at 100% of the Net Auction Requirement (after deduction of Previously Awarded Capacity) plus 15% of the initial Capacity Requirement. 		
d	Auction Price Cap (APC)	€160,545 / MWd / year. Remains unchanged from T-1 2025/26		
e	Existing Capacity Price Cap (ECPC)	€53,515 / MWd /year. Remains unchanged from T-1 2025/26.		
f	New Capacity Investment Rate Threshold (NCIRT)	€300,000 /de-rated MW / year.		
g	Annual Stop Loss Limit Factor	1.5		
h	Billing Period Stop Loss Factor	0.5		
i	Indicative Annual Capacity Exchange Rate	To be determined by SOs prior to publication of Initial Auction Information Pack.		
j	Increase Tolerance and Decrease Tolerance by Technology Class	Technology Class	Increase Tolerance (%)	Decrease Tolerance (%)
		All Except DSUs	0	0
		DSUs	0	100
k	Performance Security Posting Dates / Events	Date/ Event		Performance Security Rate (€/MW)
		From 13 months to beginning of Capacity Year		30,000
		From beginning of Capacity Year		40,000

D.3.1.3 ref	Parameter	Proposed Value for 2026/27 T-1 capacity auction	
l	Termination Charges	Date/ Event	Termination Charge Rate (€/MW)
		From 13 months to beginning of Capacity Year	30,000
		From beginning of Capacity Year	40,000
m	Full Administered Scarcity Price and Reserve Scarcity Price Curve	Short Term Reserve (MW)	Administered Scarcity Price (€/MWh)
		Demand Control	25% of VOLL Max
		0	25% of VOLL Max
		LSI	RO Strike Price
n	Anticipated values to be applied in determining the Strike Price	Current inputs to be re-applied.	
o	Capacity Aggregation Threshold	10 MW	
p	Early Delivery Incentive Start Date for New Capacity	01 September 2026	
-	Intermediate Contract Investment Rate Threshold	€100,000 /de-rated MW / year.	
-	Performance Security/Termination Rate for Existing Capacity seeking an Intermediate Length Contract	Termination and Performance Security rates do not apply in respect of refurbishing Existing Capacity	

Responses to the proposals within this consultation should be sent to CRMSubmissions@uregni.gov.uk and CRMsubmissions@cru.ie by close of business 08 January 2026. We intend to publish all responses unless they have been marked as confidential.

2. CONTENTS

1. EXECUTIVE SUMMARY	2
2. CONTENTS	5
3. INTRODUCTION AND BACKGROUND.....	6
4. PARAMETERS REQUIRED BY THE CAPACITY MARKET CODE	7
5. NEXT STEPS.....	18

3. INTRODUCTION AND BACKGROUND

The SEM Capacity Remuneration Mechanism (“**CRM**”) was developed through an extensive series of consultation and decision papers. The CRM allocates capacity payments through ex-ante capacity auctions.

A T-4 auction for the 2026/27 capacity year was held on 23 March 2023. This procured 7204.344 MW of de-rated capacity on an all-island basis.

The SEM Committee has decided to hold a T-1 auction for the 2026/27 capacity year. The volumes to be procured in this auction will be determined by the SEM Committee following their usual process prior to the publication of the Final Auction Information Pack.

Before each capacity auction, the Capacity Market Code (“**CMC**”) requires a number of auction parameters to be determined by the Regulatory Authorities (“**RAs**” (the Utility Regulator in Northern Ireland and the Commission for Regulation of Utilities (“**CRU**”) in Ireland).

4. PARAMETERS REQUIRED BY THE CAPACITY MARKET CODE

(a) *De-Rating Curves, defining De-Rating Factors by Technology Class (including for Interconnectors);*

A De-Rating Curve is a curve for a Technology Class that represents the De-Rating Factor applicable by unit Initial Capacity and Initial Maximum On Time to be used in a Capacity Auction. A De-Rating Factor describes the proportion of Initial Capacity of a Generator Unit or Interconnector that can contribute towards satisfying the Capacity Requirement to be used in a Capacity Auction.

Proposal: This is to be determined by the SOs prior to the publication of the Initial Auction Information Pack (IAIP).

(b) *the Capacity Requirement;*

The Capacity Requirement is the de-rated capacity required to satisfy the SEM Security Standard for a specific Capacity Year to be used in a Capacity Auction.

This is to be determined by the System Operators prior to the publication of the Initial Auction Information Pack (IAIP).

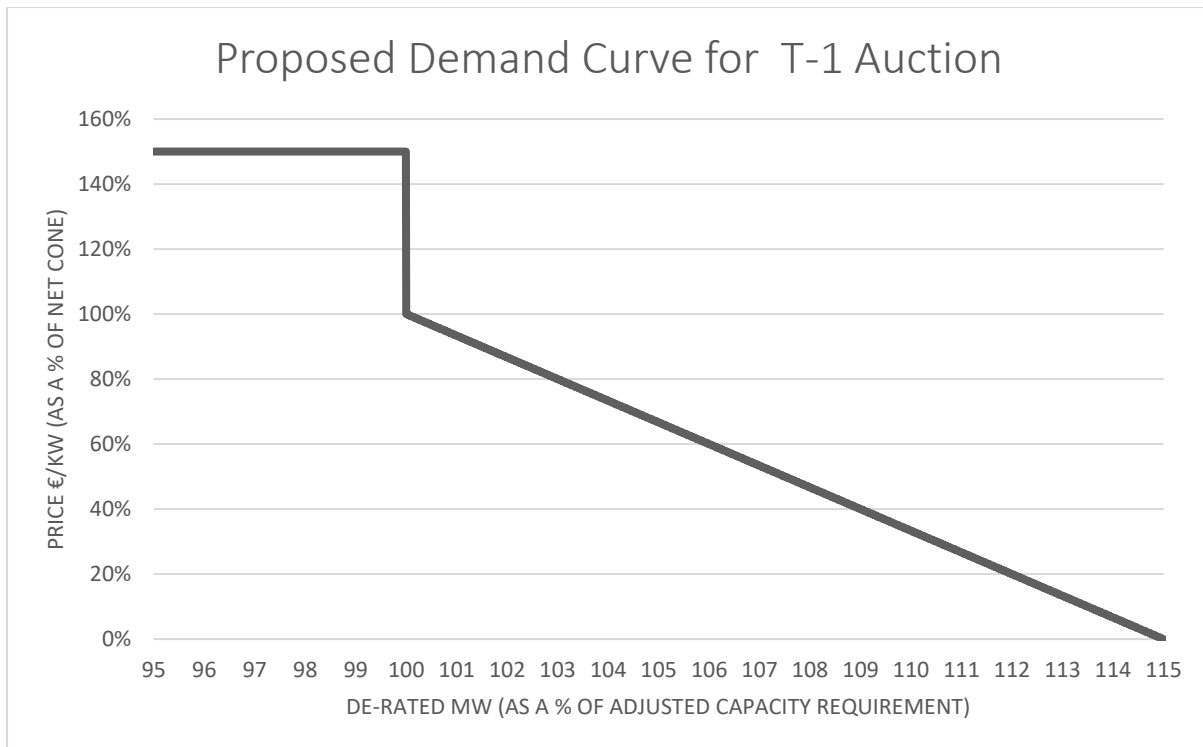
Proposal: This is to be determined by the SOs prior to the publication of the IAIP.

(c) *an indicative Demand Curve;*

The Demand Curve is a curve determined by the RAs representing the deemed per MW value of each level of capacity that could be awarded in the Capacity Auction.

Proposal: The Demand Curve for the 2026/27 T-1 auction is proposed to be set in accordance with the following principles:

- horizontal at the Auction Price Cap between 0MW and 100% of the adjusted Capacity Requirement;
- vertical at 100% of the adjusted Capacity Requirement between the Auction Price Cap Net CONE; culminating in
- a straight-line slope with a zero-crossing point at 115% of the Capacity Requirement.



In accordance with paragraph F.3.1.4 of the Capacity Market Code, other adjustments to the Capacity Requirement will include:

- a) Capacity already awarded for the 2026/27 Capacity Year in other relevant auctions;
- b) an allowance for changes in forecast capacity requirements (as considered appropriate by the RAs);
- c) an allowance for the de-rated value of capacity that is forecast to be operational during the Capacity Year but which will not be participating in the Capacity Auction (as considered appropriate by the RAs).

(d) the Auction Price Cap (APC);

The Auction Price Cap (APC) represents the maximum bid price permitted in a Capacity Auction. For both the previous T-1 2024/2025 and 2025/2026 auctions, the APC was set at €160,545/MWd/year.

Proposal: The SEM Committee propose to maintain APC at €160,545/MWd/year as per the previous T-1 2025/2026 capacity auction.

The Committee reserve the right to re-visit this at the decision stage, and furthermore in future auctions.

(e) *the Existing Capacity Price Cap (ECPC);*

The ECPC is the price cap applicable to Existing Capacity in a Capacity Auction. It is a uniform non-technology specific cap on the price that Existing Generators and interconnectors can offer volume unless they apply to the RAs for a Unit Specific Price Cap (“**USPC**”)². New Capacity and DSUs are not subject to the ECPC.

ECPC performs two key functions:

- Firstly, it limits the ability of generators with market power, but low Net Going Forward Costs (“**NGFCs**”) to exercise their market power through making high offers. Given the significant concerns about market power in the CRM it is important that the ECPC is not set at a level significantly above where the market is expected to clear in current market conditions.
- Secondly it provides a filter to ensure that only those USPC applications which the RAs need to scrutinise (because they may have a material impact on the clearing price or pay-as-bid prices) are scrutinised. If the ECPC is set too low, then offer prices which are below the clearing price (and therefore will have no impact on the clearing price or pay-as-bid prices) will need to be reviewed, imposing an unnecessary administrative burden on both the RAs and bidders.

Proposal: The SEM Committee propose to maintain ECPC at €53,515/MWd/year as per the previous T-1 2025/2026 capacity auction.

Any existing capacity with Net Going Forward Costs higher than the ECPC will have the option (if needed) to submit a USPC application to the RAs.

(f) *the €/MW rate of the New Capacity Investment Rate Threshold;*

The New Capacity Investment Rate Threshold (“**NCIRT**”) is an amount determined by the RAs that must be exceeded by the cost per MW of constructing New Capacity for that capacity to be eligible to be allocated Awarded Capacity with a duration of up to ten years.

New Capacity investing more than the NCIRT is eligible to bid to fix its Reliability Option for up to ten years.

² Or submit an Opt-Out Notification on the grounds that they are going to close before the end of the relevant Capacity Year.

The intention of setting the NCIRT is to ensure that only plant making a substantial financial commitment equivalent to a new build plant, is able to obtain a Reliability Option of up to ten years. Multi-year ROs should not be available to plant making a minor refurbishment. However, the threshold should not penalise investors who are able to build efficiently at low capital cost.

The BNE was re-evaluated in 2023 for the 2027/2028 T-4 capacity auction. However, there was insufficient evidence to support a change in the NCIRT.

Proposal: The SEM Committee proposes to retain the value of NCIRT at €300,000 / de-rated MW for the 2026/27 T-1 auction.

(g) the Annual Stop-Loss Limit Factor

The Annual Stop Loss Limit is the multiplier used to establish the annual stop-loss limit for Non-Performing Difference Charges from a Capacity Market Unit.

A stop-loss is a cap on Reliability Option Difference Payments (RODP). Reliability Option Difference Payments are charges that must be paid by a generator during a scarcity event. The purpose of the cap is to limit risk on the generator and improve investment signals. However, a cap on RODPs means that there will be insufficient money to hedge suppliers, which has to be funded through the socialisation fund.

The stop-loss limit applies only to uncovered difference payments. It does not apply where the capacity provider has received revenue through the energy market to cover the difference payment. The stop-loss limit applies to the annual option fee. To date in the capacity market, the Annual Stop-Loss Limit Factor has been set at 1.5.

Proposal: The SEM Committee propose to continue to apply an Annual Stop-Loss Limit Factor of 1.5 to Awarded Capacity allocated in the 2026/27 T-1 auction.

(h) the Billing Period Stop-Loss Limit Factor;

The Billing Period Stop Loss Limit Factor is a multiplier used to establish the billing period stop-loss limit for Non-Performance Difference Charges from a Capacity Market Unit.

The purpose of stop-loss limits is described above. The purpose of the Billing Period Stop Limit Factor is to limit the level of losses in any one Billing Period (week).

If there were no Billing Period Stop Loss Limit Factor, and there were a number of scarcity events at the start of the Capacity Year so that a capacity provider reached its Annual Stop Loss Limit, that capacity provider would have a reduced incentive to maximise its availability for the remainder of the capacity year. By limiting the losses that can apply in any one Billing Period, the incentive to remain available for the remainder of the Capacity Year is maximised. The Billing Period Stop Loss Limit Factor is currently 0.5³.

Proposal: The SEM Committee proposes to retain this value for the 2026/27 T-1 capacity auction.

(i) the indicative Annual Capacity Payment Exchange Rate;

The Annual Capacity Payment Exchange Rate is an exchange rate applicable to a Capacity Year which converts the Capacity Payment Price for a Primary Trade or a Secondary Trade from Euros to Sterling. This is determined by the System Operators using a methodology approved by the RAs.

Proposal: Only the indicative exchange rate is calculated for the IAIP. This will be calculated immediately prior to its publication. The exchange rate will then be updated for inclusion in the Final Auction Information Pack (FAIP).

(j) the Increase Tolerance and Decrease Tolerance by Tolerance Class that may be applied by a Participant in its Application for Qualification to Capacity Market Unit de-ratings;

The Increase Tolerance (INCTOL) is a percentage upwards tolerance that a Participant is permitted to apply to Capacity Market Unit de-ratings in an Application for Qualification. There may be different Increase Tolerances for different Technology Classes.

A Decrease Tolerance (DECTOL) is a percentage downwards tolerance that a Participant is permitted to apply to Capacity market Unit de-ratings in an Application for Qualification. There may be different Decrease Tolerances for different Technology Classes.

CRM Decision SEM-15-103⁴ allowed for the possibility of tolerance bands to be applied to the unit-level De-Rating Factors determined for capacity providers. These tolerance

³ Note: in the parameters decision paper for the first capacity auction ([SEM-17-022](#)), the SEM Committee decided that the Billing Period Stop-Loss Limit should be 50% of the Annual Stop-Loss Limit. Because the Annual Stop-Loss Limit Factor was set to 1.5, the Billing Period Stop-Loss Limit Factor was set to 0.75. However, because of the way the Annual and Billing Period Stop Loss Limit Factors interact within paragraph F.18.3.2 and F.18.3.4 of the Trading and Settlement Code, in order to achieve a relation of 50%, a Billing Period Stop-Loss Limit Factor of 0.5 is required.

⁴ [SEM-15-103](#)

bands would allow some flexibility in the level of participation required from dispatchable plant in the auction. This allowance was made in relation to mandatory participation; although all generators would still be required to participate. It would reflect the fact that not all generators of the same technology class have the same degree of reliability.

In the CRM Capacity Requirement and De-Rating Factor Methodology Decision paper⁵, the SEM Committee decided that, with the exception of DSUs, the tolerance bands will be set to zero for the transitional auctions, with the decision to be reviewed for the enduring auctions once the enduring value of Full Administered Scarcity Price has been determined.

Technology Class	Increase Tolerance (%)	Decrease Tolerance (%)
All Except DSUs	0	0
DSUs	0	100

Proposal: The SEM Committee is proposing to retain this decision for the 2026/27 T-1 auction.

(k) in respect of Performance Securities:

- (i) *the final Performance Security Posting Dates/ Events applicable to Awarded Capacity allocated in the Capacity Auction; and*
- (ii) *for each Performance Security Posting Date/ Event, the final €/MW rate to be applied in setting Performance Securities applicable to Awarded Capacity allocated in the Capacity Auction.*

A Performance Security is a security required as a condition of capacity award for Awarded New Capacity that has not reached Substantial Completion. A Performance Security Posting Date/ Event is a date or event from which a specified €/MW rate shall be applied to Awarded Capacity in setting Performance Securities. There may be multiple different Performance Security Posting Dates/ Events. The Performance Security Posting Dates / Events applicable to Awarded Capacity allocated in a Capacity Auction are determined by the Regulatory Authorities and provided to the System Operators.

⁵ [SEM-16-082](#), paragraph 4.5.1

Proposal: The SEM Committee maintain the Performance Security Rates with those set in for the T-1 2025/2026. Therefore, the Performance Security Rates for the T-1 2026/2027 Capacity Auction are proposed follows:

Date / Event	Performance Security Rate (€/MW)
From 13 months to beginning of Capacity Year	30,000
From beginning of Capacity Year	40,000

As noted in decision paper SEM-24-035, Existing Capacity winning an ILC will not be subject to termination payments or performance security, but New Capacity winning an ILC will be subject to termination payments and performance security.

(I) the €/MW fee rates for calculating Termination Charges

A Termination Charge is a fee payable by a Participant where Awarded New Capacity is terminated.

The CRM detailed design decision paper 2⁶ noted that it is important that New Capacity is required to pay a Termination Fee if it fails to deliver capacity. The Termination Fee will be payable if the project:

- fails to deliver the Substantial Financial Completion milestones by the given date;
- fails to achieve Substantial Completion by the Long Stop Date; or
- submits false or misleading information in the Qualification process.

Proposal: As with Performance Security Rates, the SEM Committee proposes that the Termination Charges should remain unchanged from the T-1 2025/2026 capacity auction and are as follows:

Date / Event	Termination Charge Rate (€/MW)
From 13 months to beginning of Capacity Year	30,000
From beginning of Capacity Year	40,000

⁶ [SEM-16-022](#)

As noted in decision paper SEM-24-035, Existing Capacity winning an ILC will not be subject to termination payments or performance security, but New Capacity winning an ILC will be subject to termination payments or performance security.

(m) values for the Full Administered Scarcity Price and the Reserve Scarcity Price; and

The Administered Scarcity Price (“**ASP**”) sets a floor on the Balancing Market price when a scarcity event occurs. The Full Administered Scarcity Price is the maximum value of the Administered Scarcity Price. The Reserve Scarcity Price Curve is a piecewise linear curve defining the relationship between the Reserve Scarcity price and the Short-Term Reserve Quantity.

For the first two transitional auctions, full ASP was set at the day ahead market price cap of €3,000/MWh. For the 2022/23 T-4 auction (held in March 2019), Full ASP was set at 25% of the Value of Lost Load (“**VOLL**”). It has been set at this value of 25% of VoLL for all auctions since.

In the second CRM detailed design decision paper⁷, the SEM Committee decided that the piece-wise linear function of ASP will be static, and the price from which the function begins will be the Reliability Option Strike Price. Existing policy indicates the operating reserve requirement should be a dynamic value based on the largest single in-feed. In line with the existing policy set out in the Detailed Design Decision Paper 2, the Short-Term Reserve figure and the starting point on the ASP price wise linear curve is driven in practice by the size of the largest single in-feed, which varies dynamically. The operating reserve requirement is set to this standard and may be up to 700MW in consideration of the presence of the Celtic interconnector in the 2029/30 Capacity Year.

However, the Reliability Option Strike Price is not strictly static. As described below, it is set in relation to weekly carbon, gas, and oil prices, but has a floor price equal to the theoretical price of a Demand Side Unit (which in recent years has been set at €500/MWh).

Proposal: The SEM Committee propose to set the price at which the piece-wise linear function of ASP begins at the floor of the Strike Price, as determined below. The ASP will therefore be set in accordance with the following table:

⁷ [SEM-16-022](#), section 6.4

Short Term Reserve (MW)	Administered Scarcity Price (€/MWh)
Demand Control	25% of VOLL Max
0	25% of VOLL Max
LSI	RO Strike Price

To clarify, ASP only applies when the available Short-Term Reserve is less than the operating reserve requirement. If the operating reserve requirement is only 450 MW and the available Short Term Reserve falls to 490 MW, the ASP function does not apply, and prices will be market determined.

(n) *anticipated values for the parameters to be applied in determining the Strike Price.*

If the Market Reference Price exceeds the Strike Price, holders of Reliability Options must make Difference Payments.

Proposal: The formula for the calculation of the weekly Strike Price ($PSTR_m$) is contained in the Trading and Settlement Code section F.16.2. The SEM Committee proposes to retain these parameter values for the T-1 2026/27 capacity year.

This formula bases the Strike Price on the cost of a hypothetical low efficiency peaking unit and includes a floor price on the strike price at the price of a theoretical demand side unit in €/MWh; this reflects the cost incurred by the DSU is switching off, which may not be related to the cost of energy. The values of each of these parameters for each capacity auction to date were:

Strike Price Component	Value	Unit
PCARBON _m	PCARBON _m Index	€/tCO _{2e}
PFUELNG _m	[PFUELNG _m Index (p/therm) x 0.01 (£/p) + PFUELNG _m Transport (£/therm)] x Exchange Rate (€/£) x 9.48 (therm/GJ) x 3.6 (GJ/MWh)	€/MWh
PFUELO _m	[PFUELO _m Index (\$/t) x Exchange Rate (€/£) + PFUELO _m Transport (£/t)] x 0.025 (t/GJ) x 3.6 (GJ/MWh)	€/MWh
PCARBON _m Index	ICE ECX EUA Futures – EUA - (weekly)	€/tCO _{2e}
PFUELNG _m Index	ICE UK Natural Gas Index (weekly)	p/therm
PFUELNG _m Transport	0.0424 ⁸	£/therm
PFUELO _m Index	Platt's Forward Curve (weekly) for weekly swap transactions for 1% sulphur free on board (FOB) fuel oil cargoes in North West Europe (NWE) for the relevant month (AAEGR00)	\$/t
PFUELO _m Transport	50 ⁹	€/t
FTHEORYPU _y	15	%
FCARBONING _y	0.202	tCO _{2e} /MWh
FCARBONINO _y	0.277	tCO _{2e} /MWh
PTHEORYDSU _y	500	€/MWh
Exchange Rate (€/£)	The Trading Day Exchange Rate as defined in the Trading and Settlement Code	€/£
Exchange Rate (€/£)	The rate set at 17:00 the day before the Trading Day, from the same source as used for the Trading Day Exchange Rate	€/£
therm per GJ	9.48 ¹⁰	therm/GJ
LSFO calorific value	0.025 ¹¹	t/GJ

(o) Capacity Aggregation Threshold

The final capacity aggregation threshold has been set at 10MW for the previous five Capacity Auctions.

Proposal: The SEM Committee propose to maintain the final capacity aggregation threshold at 10MW for the 2026/2027 T-1 capacity auction.

(p) Early Delivery Incentive Start Date

As set out in SEM-24-037¹² Multi-year New Capacity and incremental multi-year ILC capacity will receive payment for early delivery at the same price as its awarded capacity in the 2026/27 T-1 auction, i.e. there will be no additional multipliers to the contract price.

⁸ NI natural gas transport adder used in I-SEM PLEXOS Forecast Model 2016-17.

⁹ Based on ROI LSFO transport adder used in I-SEM PLEXOS Forecast Model 2016-17.

¹⁰ I-SEM PLEXOS Forecast Model 2017-17

¹¹ I-SEM PLEXOS Forecast Model 2016-17

¹² [SEM-24-037](#)

Any multi-year New Capacity or incremental multi-year ILC capacity being paid for early delivery would also be subject to the same Reliability Option Difference Payments and the same Stop-Loss limits as any other capacity operating in the CRM, from the date payments start.

For incremental multi-year capacity (including New Capacity and incremental ILC capacity), the capacity can get paid for early delivery of any incremental capacity only and not the Existing Capacity, i.e. the capacity that is already contracted.

The SEM Committee decided that to limit gaming potential and interactions with earlier year auctions, early delivery payments will commence no more than one year before the start of the capacity delivery year for the auction in question.

(-) *the €/MW rate of the Intermediate Contract Investment Rate Threshold;*

The Intermediate Contract Investment Rate Threshold (“**ICIRT**”) is an amount determined by the RAs that must be exceeded by the cost per MW of Existing and New Capacity seeking to make intermediate levels of investment for that capacity to be eligible to be allocated Awarded Capacity with a duration of more than one year.

New and Existing Capacity are eligible to bid to fix its Reliability Option for up to five years, where they invest more than ICIRT. To do so, a capacity provider must meet a substantial financial commitment threshold, i.e. ICIRT.

The intention of setting the ICIRT is to ensure that only plant making a significant investment commitment can obtain a multi-year Reliability Option of up to five years. As noted in SEM-24-035¹³, the ICIRT was not set at a level too high, because of the potential it would prevent genuinely beneficial investments in refurbishment taking place, nor at a level too low, which would produce frequent repeat applications for ILCs.

Proposal: For the 2026/27 T-1 auction the SEM Committee propose to continue to set ICIRT at €100,000 / de-rated MW, the level specified in SEM-24-035, and applied in the 2025/26 T-1 auction held in May 2025.

¹³ [SEM-24-035](#)

5. NEXT STEPS

Responses to the proposals within this consultation should be sent to both CRMSubmissions@uregni.gov.uk and CRMsubmissions@cru.ie by 08 January 2026. We intend to publish all responses unless they have been marked confidential.

A decision on the parameter values will be published in February 2026 and the parameter values included in the IAIP developed by the System Operators and issued in accordance with the Capacity Auction timetable