SINGLE ELECTRICITY MARKET COMMITTEE

FASS: Parameters & Scalars

Decision Paper

SEM-25-074

19 December 2025

EXECUTIVE SUMMARY

This paper sets out the SEM Committee's decision in relation to the setting of a number of parameters and scalars designed to ensure the efficient operation of the Day Ahead System Services Auction (DASSA) under the Future Arrangements for System Services framework. This follows a period of consultation by the TSOs, and the decision is made in the context of the TSOs' Recommendations Paper which was submitted on 15 October 2025.

The workstream to develop the DASSA Parameters and Scalars was established following the SEM Committee's decision on the DASSA detailed design[1] in order to bottom out a number of areas which required further detail, building on that decision. The SEM Committee acknowledges that significant work on the part of the TSOs has gone into the development of the Parameters and Scalars Recommendations, and more broadly the DASSA design and FASS Programme. The Parameters and Scalars workstream constitutes several complex design elements of the DASSA and the SEM Committee welcomes the engagement and collaborative approach undertaken by the TSOs in enabling these items to be covered comprehensively through to the decision stage.

This decision represents a significant milestone in the FASS Programme as the delivery of the DASSA now moves into the implementation phase. The SEM Committee recognises the significant role played by the TSOs and industry stakeholders in ensuring that the project has continued to be progressed at pace.

Overall, the SEM Committee welcomes the recommendations of the TSOs in relation to the Parameters and Scalars. The TSOs have submitted broadly sensible proposals to ensuring a market design that is both economically efficient and enables the system to continue to be operated in a safe manner.

The SEM Committee has decided that a bidding framework will be implemented which includes a DASSA Price Cap of €650/MWh per service, with this to be kept under review post go live, and a Price Floor of €0/MWh. A review of the bidding rules should be conducted following the consultation to determine a post go live approach to bundling and linked bids.

The SEM Committee has also decided that a scarcity price be implemented when the threshold for volume insufficiency is triggered. The scarcity price will be tied to the DASSA Price Cap, and the threshold will be defined through the Y-1 System Services Volume Forecasts.

The SEM Committee has also decided to reinforce its decision under the DASSA detailed design that a batch matching approach be used to settle the secondary market. It has been decided that a simple batch matching approach will be implemented for DASSA go live, however work to deliver an optimisation solution to batch matching is to be delivered as soon as reasonably

[1] https://www.semcommittee.com/publications/sem-24-066-future-arrangements-system-services-dassa-design-decision-paper

possible post go live. As previously set out, all policy decisions for the enduring DASSA design should be completed ahead of DASSA go live, with an implementation plan for the phased delivery of each of the outstanding design elements to be published following closure of all policy decisions.

The SEM Committee notes that the TSOs have recommended that TSO lapsed units be exempt from the compensation payment, and that there is strong industry support for this recommendation. Ideally, the TSOs would be capable of considering the total cost implications across all markets when making its dispatch decision. Absent that, the most economically efficient approach would be to apply the compensation payment to TSO lapsed units as this sends appropriate price signals to the BM to ensure that the true cost of moving units who are positioned to provide reserves in future trading windows away from that position is captured in BM prices. However, given limitations in the ability of all technology types to potentially fully recover compensation payments in their BM bids, the SEM Committee has decided to set the compensation payment for TSO lapsed units to zero initially. This will be kept under review and may be changed if BM bidding rules for all technology types change to allow full recovery of costs.

It is important to note that if a unit who has maintained their DASSA position up to BM gate closure and is then repositioned by the TSOs to meet balancing energy requirement post gate closure, they will still be eligible for their DASSA payment within that trading period, as they will have met their balancing capacity obligations. The compensation payment will apply to any subsequent commitment obligations which the unit is no longer able to fulfil as a result of being moved in the previous window, subject to the application of a Grace Period.

The SEM Committee has also decided that a grace period will apply, initially just for storage units. This will provide storage units with a defined time to recharge following a dispatch action, without a compensation payment applying during that period. The compensation payment will apply for any trading periods outside of the defined grace period.

Additionally, the SEM Committee notes that the TSOs have recommended the application of scalars for the availability and delivery incentives. Having reviewed the proposals in this area and considered the views of stakeholders, the SEM Committee has decided that a one-off penalty framework will apply for both of these incentives. It is also important that a hierarchy is put in place which guides the setting of the various incentive and compensation payment frameworks.

The SEM Committee has decided that the guiding principle in this regard should be to emphasise the importance of maintaining position and delivery closer to real time, and for units to trade out of infeasible positions at the earliest opportunity. Therefore, Post-Gate Closure Availability Incentives will be stronger than Pre-Gate Closure Incentives and Service Delivery Incentives will be the strongest, exceeding availability incentives over the subsequent Trading Periods, particularly where units may become unavailable following service delivery.

While the compensation payment and post gate closure availability incentive will not apply in the RAD, the appropriateness of the service delivery incentive in the RAD is yet to be determined. The SEM Committee will consider this, and further consultation may be required.

This Decision Paper should be read in conjunction with the TSOs' Recommendations Paper.

Contents

1 INTRODUCTION

The SEM Committee's Decision on the Future Arrangements for System Services (FASS) Phase III: Detailed Design & Implementation[2], published in December 2023 required the Transmission System Operators (TSOs), EirGrid and SONI, to develop a Phased Implementation Roadmap (PIR) for the delivery of a Day Ahead System Services Auction (DASSA) by December 2026. The paper also placed responsibility for leading consultation on the elements of the detailed design of the FASS with the TSOs.

The TSOs published the first iteration of the PIR in March 2024 and subsequently started work on the detailed market design of the DASSA. Following a public consultation, the TSOs submitted their recommendations on 31 July 2024. The SEM Committee published its decision[3] on 18 September 2024. Following the decision, a number of parameters and scalars still needed to be consulted on in terms of the initial DASSA detailed design.

To address these outstanding elements, the TSOs published the DASSA Parameters and Scalars consultation on 9 June 2025. The consultation closed on 25 July 2025. Virtual industry workshops were held on 18 June 2025 and 09 July 2025 to support the consultation process. In total, the TSOs received 19 responses to the consultation from industry stakeholders. All non-confidential responses have been published on the TSOs' consultation portals.

This paper sets out the SEM Committee's decision on the DASSA Parameters and Scalars having consideration for the TSOs' Recommendations, the responses from stakeholders and the analysis of the RAs. The paper is structured as follows:

- Section 2 summarises the TSOs' Recommendations
- Section 4 describes the key themes identified in stakeholder responses
- Section 5 sets out the SEM Committee's decisions
- Section 6 sets out the next steps

[2] https://www.semcommittee.com/publications/sem-23-103-system-services-future-arrangements-phase-iii-detailed-design

[3] https://www.semcommittee.com/publications/sem-24-066-future-arrangements-system-services-dassa-design-decision-paper

2 Overview of TSO Recommendations

The TSOs' Recommendations Paper sets out their position on each of the questions asked under the Parameters and Scalars Consultation.

2.1 Initial TSO Position at Consultation

Below is the summary of the TSOs' initial proposals at the consultation:

Q #	Consultation Question	TSOs' Initial Position / Proposal(s)
1	Do you agree with the TSOs' proposals for the minimum and maximum reserve service volumes for the go-live of the DASSA arrangements?	Minimum volume of 1 MW for all reserve services, maximum volume of 75 MW for FFR (each sub-category) and maximum volume of 300 MW for RR to be implemented for the DASSA arrangements.
2	Do you have any comments on the proposed **DASSA Bid Price Cap** design and value?	The TSOs propose a Total Bid Price Cap of €500/MWh, and the £/MWh equivalent for Northern Ireland, to be distributed across the FFR, POR, SOR, TOR1, TOR2 and RR services based on their relative scarcity.
3	Do you have any comments on the proposed **DASSA Bid Price Floor** value?	DASSA Bid Price Floor value of €0/MWh and £0/MWh for each individual reserve service. The proposal is based on AFRY's analysis which shows there are circumstances where the cost of provision and the potential foregone income from participating in the energy markets can be as low as zero.
4	Do you have any comments on the proposed **DASSA Scarcity Price** design and value determination?	DASSA Scarcity Price to be implemented per service per Trading Period. Total Scarcity price to be determined as the maximum of the Total Bid Price Cap and the DAM price. Otherwise, the Total Scarcity Price will be set to the Total Bid Price Cap for DASSA go-live. Scarcity Price per reserve product to be determined based on their proportional contribution to the Total Bid Price Cap.
5	Do you agree with the TSOs' proposals for the **maximum**	Service providers may submit up to a maximum of 10 price/quantity pairs, which must be increasing.

	number of P/Q pairs and minimum step sizes in P/Q pairs for price and quantity?	Minimum step size for bid prices will be €0.01/MW in Ireland and £0.01/MW in Northern Ireland. Minimum step size for bid volumes in the DASSA will be 0.001 MW.
6	Do you agree with the TSOs' proposal for the DASSA **gate window opening** time?	Proposed DASSA gate window to open at 11:45 D-1 and close at 15:30 D-1.
7	Do you have any comments on the TSOs' proposals for the batch matching of Buy and Sell Orders and the **determination of prices in secondary trading**?	Batch matching to be scheduled every 30 mins, at secondary trading gate closure. Simple batch matching with two sub options i.e. Starting with the highest Buy Order price matching with the lowest Sell Order price and Starting with the lowest Buy Order price matching with the lowest Sell Order price. Optimisation of trades to obtain a Secondary Trading Clearing Price is TSOs' preferred option.
8	Do you agree with the TSOs' proposal for establishing the value of the **threshold for an instance of volume insufficiency**?	Maximum of volume insufficiency to be aligned with the volume that TSOs will procure to cover the unavailability of reserve providers, for any system service/ higher quality/ jurisdictional requirement. Value of the threshold to be subject to review, and proposed changes will be subject to appropriate industry engagement.
9	Do you have any comments on the proposed **Commitment Obligations & Incentives process overview and hierarchy**?	Layered incentive mechanism for DASSA Orders to be implemented, consisting of: • Compensation payment to be applied to lapsed DASSA orders at gate closure • Compensation payment and availability performance scalar to be applied to confirmed DASSA Orders post gate closure • Event performance scalar to be applied to confirmed DASSA orders post gate closure A structured hierarchy to be followed where Post-Gate Closure Availability Incentives to be stronger than Pre-Gate Closure Incentives and Service Delivery Incentive to be sufficiently strong and exceed the applicable availability incentives over

		the subsequent Trading Periods during which an energy storage unit may become unavailable following the delivery of a service.
10	Do you have any comments on the proposals for the **application of the Compensation Payment** noting the TSOs' preferred approach?	• Option 1 (which is also their preferred option) relates to compensation payment to be payable to the TSOs when a DASSA Order is not compatible with the service provider's FPN or has been self-lapsed which exception where it is lapsed due to TSO action and where the trading period falls within a Grace Period after service delivery. • Option 2 relates to Compensation Payment to be payable to the TSOs for any incompatible DASSA Order at gate closure, regardless of the reason of the lapsed Order.
11	Do you have any comments on the options for the **calculation of the Compensation Payment** noting the TSOs' preferred option and the proposal that no reduced Compensation Payment will apply to early self-lapsing?	Options for Compensation Payment include: • Option 4a which (is the TSOs' preferred option) relates to the delta between the Adjusted DASSA Price and the DASSA Price, where the Adjusted DASSA Price is calculated ex-post, subject to implementation considerations. • Option 3 as an alternative if above option is not possible to implement DASSA go-live i.e. no reduced Compensation Payment to apply in instances of early self-lapsing.
12	Do you have any comments on the **Post- Gate Closure Availability Incentive** options noting the TSOs' preferred option?	Several options considered by TSOs' for Post-Gate Closure Availability Incentives for DASSA Order Holders, including the preferred approach by TSOs involving a compensation payment, forfeiture of DASSA payment for the applicable Trading Period, and application of an Availability Performance Scalar (SA) on future payments—comprising an Availability Factor (F_A) to assess provider's performance over five months, with recent months weighted higher, and a Dynamic Time Scaling Factor (V_m) to assign weightings to performance incidents over the current and four preceding months.

		Other options include temporary exclusion from auctions for a limited-time period, volume derating in subsequent auctions, or a one-off payment, with exemptions granted for unavailability due to TSO instructions falling within the Grace Periods, though DASSA payments will still be forfeited in such cases.
13	Do you have any comments on the **Post- Gate Closure Delivery Incentive** options noting the TSOs' preferred option?	Several options considered by TSOs' for Post-Gate Closure Delivery Incentives for DASSA Order Holders, including the preferred approach by TSOs involving an Event Performance Scalar consisting of Monthly Scalar Factor (K_m) which would be the average of Q_i values from performance assessments within a month and the Dynamic Time Scaling Factor (V_m) to assign weightage to K_m for the current and two preceding months. Other options include temporary exclusion from auctions for a limited-time period, volume derating in subsequent auctions, or a one-off payment. Event Performance Scalar to also apply to any DASSA Top-up Mechanism.
14	Do you have any comments on TSOs' proposal for a **Grace Period for energy storage units**?	TSOs proposed Grace Period of 8 hours to be applicable to energy storage units impacted by previous TSOs instructions or events, from the time of response to the frequency event
15	Do you agree with the TSOs' proposals to only procure individual services – and **neither implicit nor explicit bundles** – in the DASSA at go-live?	At DASSA go-live, only individual reserve services will be procured. No bundled services, whether explicit or implicit, will be procured. TSOs will assess the potential for service bundling and related mechanisms like linking of bids under the 'Future DASSA Arrangements' Work Package in PIR V3.0, with any bundling implementation to occur post go-live
16	Do you agree with the TSOs' proposal to set the **Value Function in the objective**	Value Function in the objective function to be set to zero for the go-live of the DASSA for all services, meaning that there will be no operational preference to procure dynamic over static service provision

	function of the DASSA clearing to zero?	above the minimum auction dynamic volume requirement.
17	Do you have any comments on the proposed **DASSA Fallback Procedure** design and value determination?	The TSOs propose a Fallback Procedure where, in the event of DASSA suspension, real-time reserve volumes will be settled through ex-post arrangements using the RAD mechanism, if approved by the SEMC and available; otherwise, predefined tariffs, based on the long-run marginal cost (LRMC) of a BESS dedicated solely to reserve provision, expected to always meet DASSA requirements throughout the year.

2.2 Final Recommendations

Below is a summary of any areas where the TSOs have updated their recommendations or changed their position following on from the consultation:

Q #	Consultation Question	Changed TSO Position
2	Do you have any comments on the proposed **DASSA Bid Price Cap** design and value?	DASSA Bid Price Cap of €500/MWh per each individual upward and downward reserve service to be implemented. Value to be reviewed periodically, including in context of bundles and linked bids.
4	Do you have any comments on the proposed **DASSA Scarcity Price** design and value determination?	Scarcity Price of €1000/MWh per individual service, for DASSA go-live. Post go-live (Day1+), integrate DAM Clearing Price, e.g. min (max (Bid Cap, DAM Price), €1000/MWh) per individual service.
6	Do you agree with the TSOs' proposal for the **DASSA gate window opening** time?	DASSA gate opening of D-19 and RAD gate opening of D-19.
7	Do you have any comments on the TSOs' proposals for the batch matching of Buy and Sell Orders and the **determination of prices in secondary trading**?	• Simple batch matching of secondary trades at gate closure, every 30 minutes, with the price per trade established on the buy side (starting with the highest Buy Order price matching with the lowest Sell Order price, and sequentially in order of decreasing Buy Order price).

		• TSOs to evaluate FCFS continuous matching for go-live or post go-live (D1+). • Optimisation of secondary trades for post go-live (Day2). • No negative prices on Buy or Sell side to be facilitated for DASA go-live – will be a Day 1+ deliverable.
8	Do you agree with the TSOs' proposal for establishing the value of the **threshold for an instance of volume insufficiency**?	Maximum of volume to account for availability of reserve service providers as per the initial position. TSOs recommended Alternate value that will be greater to zero to ensure a threshold is defined if the first value is zero. Both values will be determined as part of the year-ahead (Y-1) volume forecasting process.
10	Do you have any comments on the proposals for the **application of the Compensation Payment** noting the TSOs' preferred approach?	Apply Compensation Payment to Lapsed Orders with exceptions where it is lapsed due to TSO action and where the trading period falls within a Grace Period after service delivery. Grade Period recommendation to be noted.
11	Do you have any comments on the options for the **calculation of the Compensation Payment** noting the TSOs' preferred option and the proposal that no reduced Compensation Payment will apply to early self-lapsing?	For Go-live, DASSA Clearing Price x Multiplier (defined by service). For Post go-live (Day2), value based on Delta between Adjusted DASSA Clearing Price and Actual DASSA Clearing Price (as per Consultation Paper).
12	Do you have any comments on the **Post- Gate Closure Availability Incentive** options noting the TSOs' preferred option?	Availability performance scalar as per initial proposal. Suggested One-off Charges: DASSA Clearing Price x Multiplier (defined by service)
13	Do you have any comments on the **Post- Gate Closure Delivery Incentive** options noting the TSOs' preferred option?	Event Performance Scalar as per initial proposal. One-off Charges of €1000/MWh or €2000/MWh depending on value of DASSA Clearing Price.
14	Do you have any comments on TSOs' proposal for a **Grace**	Grace Period of 8 hours to apply to BESS units (waiving application of Availability Incentives); in

	Period for energy storage units?	practice, expected to apply to TOR2 and RR services only. TSOs to evaluate application of Grace Period for other service providers pre-DASSA go-live.

3 KEY RESPONSE THEMES

The Parameters and Scalars Paper covers a broad range of topics and the SEM Committee commends the work done by the TSOs in putting together this paper. The SEM Committee notes that while the industry raised a few concerns on the proposals put forward by the TSOs in the paper, there were a number of areas where the industry supported the TSO proposals. The key areas where the respondents were supportive of the TSO proposal are:

- Minimum and Maximum qualified volumes at go-live
- Price/Quantity (P/Q) pairs and minimum step size
- Bid price floor
- Proposal for Grace period for energy storage units

While stakeholders broadly support the setting of minimum and maximum service volumes at go-live, some respondents emphasise the need for clear, robust mechanisms to review and revise these volumes regularly as market conditions, technology, and system needs evolve.

The areas where the respondents raised concerns about the proposals can be divided into the following eight thematic areas:

Bid price cap: The SEM Committee notes that majority of respondents oppose the proposal for a total bid cap in the DASSA of €500/MWh (distributed across reserve products), arguing it suppresses legitimate, cost-reflective bids that would otherwise respond to real-time scarcity and energy market signals. Respondents expressed concerns that the cap fails to reflect opportunity costs during scarcity periods and could therefore be inconsistent with energy market dynamics. They warn that the cap risks reducing liquidity, participation, and investment incentives, possibly leading to artificial scarcity events and inefficient outcomes. Some respondents proposed alternative bid cap of €4000/MWh in line with the cap in the DAM.

The TSOs have proposed to spread the bid cap across individual services based on the forecasted total available reserve per service for 2025, such that more scarce services receive a higher portion of the bid cap. Most respondents are opposed to this proposal, stating that since service providers will be unable to link their bids for different services, they will not know for certain whether their bids will clear for all services for which they bid. As such, industry views the cap as excessively restrictive, since it only allows service providers to recover their full opportunity cost in case they can (i) bid into all of the separate reserve markets, and (ii) clear in all of the separate reserve markets.

Scarcity Price: The SEM Committee notes the concern raised by respondents regarding the scarcity price. Respondents argue that the scarcity price may be too low and/or may create distortion of bidding behaviour in DASSA. They view that there are significant excess reserves in the market, and that a scarcity price would not be needed if it were not for specific design features of the market, which the respondents propose the TSOs should amend. For example, some respondents argue that the scarcity price is only needed because of the proposal to introduce a

low bid price cap that is spread across services, implicitly distorting market behaviour. Several respondents argue that no scarcity price would be needed if the bid cap were to be removed or increased appropriately.

Concerns were also raised that the scarcity price would not be sufficiently high to send the right market signals to the participants in times of volume insufficiency in the DASSA. Stakeholders felt the design of scarcity price doesn't align with energy market pricing (DA/ID/BM). Several argued the cap/scarcity constructs are being anchored to the Reliability Option (RO) strike price (~€500/MWh), which may not be the best reflection of the opportunity cost and as such deter liquidity of the market. Respondents expressed concern that the bid cap and scarcity price may lack flexibility and responsiveness to exceptional circumstances such as geopolitical events affecting fuel prices; the respondents urge the TSOs to undertake regular reviews and adjustments to maintain effective incentives.

Secondary trading: Many respondents raised concerns about the complexity of the proposed batch matching of orders in secondary trading. The SEM Committee notes the suggestion from stakeholders for simpler, first-come, first-served secondary trading mechanisms, warning that complexity and the lack of a centralised collateral and settlement platform will disadvantage smaller participants and deter active secondary trading. Many respondents are concerned that the absence of centralised collateral and settlement mechanisms may hinder secondary market liquidity. Respondents expressed concerns that this risk and administrative burden will deter smaller market participants and reduce liquidity in secondary trading. Several stakeholders urge TSOs to implement or assure such mechanisms are in place and standardised across secondary trading before go-live.

A few stakeholders also raised concerns regarding the proposal that if the TSOs submit a sell order during a given secondary trading window, no other sell orders will be matched. Some stakeholders say this approach risks undermining market integrity, and worsening concerns around secondary market liquidity. The SEM Committee noted the request for clarity on the threshold for volume insufficiency, pricing logic and priority rules. Some respondents have also requested worked examples to understand and anticipate when and why the TSOs will step in.

Compensation and scalar mechanism: The TSOs' proposed compensation payment is based on the difference between the DASSA clearing price and the "adjusted" clearing price of the DASSA. The adjusted clearing price of the DASSA is the price that would arise had the TSOs originally procured volumes equal to the sum of (a) the DASSA volume requirement and (b) any volumes that lapse pre-BM gate closure. Many respondents argue that there should be no compensation payment, suggesting that forgoing the DASSA payment should serve as a sufficient incentive for service providers to deliver on their obligations and/or trade out of their obligations if unavailable.

Some respondents shared their views on the calculation of the compensation payments, while noting that the TSOs' proposed approach for the compensation payment calculation is too complex. For example, several respondents are not in favour of the compensation payment

varying per trading period per product, since they argue that not knowing the cost of having to exit a DASSA position ex ante may affect their DASSA bids. Some respondents expanded their argument by saying that the TSOs' recommendation is not only complex, but it also not reflective of the actual cost of the lapsed order. Some respondents say the cost of the lapsed order is more closely approximated by alternatives such as the secondary trading price or costs in the Balancing Market (BM).

The majority of respondents raised concerns that the proposed scalars for non-availability and non-delivery increase the complexity of the regime and that their enduring nature will distort bidding behaviour. Many industry respondents commented that the TSOs' proposed scalars introduce disproportionate availability and event penalties, which could deter participation, especially from smaller players or aggregators. They suggest simplifying the penalty arrangements, for example, using one-off penalties and non-financial measures (like temporary exclusion) rather than ongoing or compound penalties that increase risk and complexity. Several participants noted that under an enduring scalar regime, service providers will inevitably price the penalties into their DASSA bids, distorting market signals and thus inhibiting efficient market signals for new investments. Some respondents noted that the already agreed provision for non-payment for non-performance is already a strong incentive, making additional penalties unnecessary.

Grace period for Energy storage: The introduction of Grace Period was welcomed by most respondents, viewing it as a design choice that reflects operational realities such as state-of-charge recovery, short resets, and technical limitations. The TSOs recommend that service providers should pay a compensation payment to the TSOs when their DASSA order is not compatible with their Final Physical Notification (FPN) or when the service providers have fully or partially self-lapsed the DASSA order. The TSOs have proposed that providers should be exempt from the compensation payment when a DASSA order has lapsed due to TSO actions, including where the DASSA order for the trading period falls within a grace period after service delivery (i.e., delivery of balancing energy requested by the TSOs). Several respondents suggested that units of other technology types share similar properties to energy storage units and therefore should also benefit from a grace period.

Bundling of services: Many respondents indicated that the absence of bundled service procurement and linked bids in the DASSA raises operational and financial viability concerns. Respondents stress that the procurement of services only on an individual, product-by-product basis, without bundling or linked bids, fails to reflect operational realities, especially for technologies like battery storage that provide a range of services across different timeframes. This creates fragmented revenues and technical challenges around providing "in-between" services. Bundling was suggested as a way to improve operational efficiency, value recognition, and project viability.

DASSA timing: A few respondents expressed concerns that the DASSA timing (specifically, the fact that trading is only open at the day-ahead stage) will disadvantage small service providers who do not operate a twenty-four-hour trading desk every day. Some respondents argued that

restricting the opening time to within-day at the day-ahead stage will require participants to work on weekends and bank holidays, which may impose a disproportionate financial burden on small providers who currently do not operate at these times. Stakeholders pointed to the fact that other markets such as the BM facilitate the submission of information well in advance of the day-ahead stage, then allow participants to update their position close to real time.

Fallback Mechanism: Some respondents urged the TSOs to tie payments under the fallback option to the opportunity cost from other markets, such as the DAM. The TSOs have recommended a fallback procedure in case the DASSA becomes unavailable due to technical problems. The TSOs propose to settle the available reserve volumes in real-time through ex-post arrangements, either through the proposed RAD mechanism (if approved by the SEMC), or through predefined tariffs. Some respondents have expressed concerns with the fact that payments due in the fallback procedure are not dynamically linked to prices in energy markets. For example, several respondents suggest that in the event of a DASSA failure, the price paid for system services should be based on the participants' opportunity cost, which would be the wholesale market price for the period in question.

4 SEMC DECISIONS

This section sets out the SEM Committee's considerations and decisions having reviewed the TSOs' recommendations, previous SEM Committee decisions in this area and the stakeholder responses and having considered any supporting analysis carried out by the RAs. The SEM Committee's decisions are broken down based on the 17 questions the TSOs asked in the consultation.

4.1 Minimum and Maximum Reserve Service Volumes

Having considered the recommendations of the TSOs, and the responses from stakeholders, the SEM Committee has decided that existing System Services Regulated Arrangements volume limits for upward reserve services be maintained for the DASSA. Service providers must be capable of delivering a minimum of 1 MW for each reserve service to qualify for participation in the daily auction. Maximum qualified volumes will be capped at 75 MW for each of the FFR sub-categories, POR, SOR, TOR1, and TOR2, and at 300 MW for Replacement Reserve (RR). The same limits will apply to downward reserve services.

The SEM Committee acknowledges that the TSOs have recognised the importance of ensuring service volume levels remain appropriate as the system evolves and welcomes the commitment to continue to review reserve service volumes periodically, informed by operational evidence and regulatory requirements, and subject to industry consultation and SEMC decision.

SEMC Decision 1: Minimum and maximum service volumes to be implemented for the DASSA arrangements:

- Minimum volume of 1 MW for all reserve services.
- Maximum volume of 75 MW for each FFR sub-category, with the total volume of FFR awarded in the auction across the three sub-categories to not exceed the value of the service providing unit's highest qualified sub-category capacity per Trading Period.
- Maximum volume of 75 MW for POR, SOR, TOR1 and TOR2.
- Maximum volume of 300 MW for RR.
- Minimum and maximum volume limits will apply at service providing unit level, aligned with how units are currently contracted under the Regulated Arrangements.

4.2 DASSA Bid Price Cap

The SEM Committee considers it a sensible approach to implement a bid price cap for the DASSA. The SEM Committee acknowledges the arguments presented by industry that a total bid price cap of €500/MWh does not align with the DAM price cap of €4,000/MWh and therefore would risk creating a volume insufficiency risk through disincentivising DASSA participation at times of scarcity. The SEM Committee welcomes the TSOs' revised recommendation to apply the bid cap of €500/MWh to each service individually. While this still does not fully address potential economic disequilibrium between the energy and system services markets at times of scarcity, it is important

to consider that at DASSA go-live, the market will be selling 12 separate service products (six upward and six downward reserves).

Having considered alternative options such as applying a €4,000/MWh cap for each service in alignment with the DAM Price Cap and the TSOs proposal, the SEM Committee considers that the most prudent approach at this time is to proceed with an approach which spreads the value of the DAM price cap across the services, this provides a price cap of €650/MWh per service. The SEM Committee welcomes the TSOs commitment to review the Bid Price Caps periodically post DASSA go live.

The SEM Committee considers that there is also a need to consider market power measures in depth and will hold a public consultation on FASS market power measures in 2026. The outcome of this consultation may inform future reviews of the bid price cap.

Additionally, the SEM Committee notes that some respondents highlighted bundling as a potential solution. The SEM Committee notes that there is an outstanding requirement for the TSOs to consult on bundling and linked bids prior to go-live, with a view to implementing any solution that is an outcome of that consultation post go-live, and as soon as reasonably possible. The bid price cap for any potential explicit bundles or linked bids will be an important consideration of that policy decision.

SEMC Decision 2: DASSA Bid Price Cap of €650/MWh per service (with Stg/MWh equivalents) per Trading Period to be implemented for upward and downward reserve.

FFR	POR	SOR	TOR1	TOR2	RR
€650/MWh	€650/MWh	€650/MWh	€650/MWh	€650/MWh	€650/MWh

The suitability of the Bid Price Caps will be evaluated in advance of DASSA go-live and following on from the consultation on bundling and linked bids.

From DASSA go-live, the impact of the bid price caps will be monitored on an ongoing basis and the TSOs will periodically review the appropriateness of the level of the caps. These reviews will also consider any future implementation of linked bids and bundles of reserve services.

4.3 DASSA Bid Price Floor

In terms of the DASSA Bid Price Floor, the SEM Committee notes the TSOs' consideration that there does not appear to be an incentive to bid below zero in the DASSA given that a DASSA Order does not give any priority for activation in the Balancing Market. The SEM Committee also acknowledges that the majority of respondents who addressed this proposal consider it reasonable. The SEM Committee further notes the points raised by some respondents that

negative pricing could in certain circumstances, such as high-constraint or high-renewables scenarios, be a valid reflection of market dynamics and may warrant future reconsideration.

Having considered the recommendations of the TSOs, and the responses from stakeholders, the SEM Committee has decided that a DASSA Bid Price Floor value of €0/MWh in Ireland and £0/MWh in Northern Ireland will be implemented for each individual reserve service, both upward and downward. This decision will be kept under review, and the SEM Committee may decide to allow negative bidding when there is a greater understanding of how the DASSA operates in practice and interacts with balancing market bidding behaviour.

SEMC Decision 3: A DASSA Bid Price Floor value of €0/MWh in Ireland and £0/MWh in Northern Ireland to be implemented at DASSA go-live for each individual reserve service, both upward and downward, per Trading Period.

4.4 DASSA Scarcity Price

The SEM Committee welcomes the TSOs' proposal that a Scarcity Price would apply to all DASSA Orders for any system service requirement / higher quality of service provision requirement / jurisdiction requirement combination when any procurement shortfall (in the requirements combination) exceeds the Volume Insufficiency Threshold (see Section 4.9). The SEM Committee acknowledges the concerns of industry that this represents the addressing of a potential issue created by the application of a bid price cap. The SEM Committee considers that both a scarcity price and bid cap are necessary to protect consumers.

The SEM Committee considers that while the TSOs proposal of a scarcity price of €1,000/MWh sends a strong economic incentive to enter into the secondary market at times of scarcity, the misalignment with the bid price cap creates a risk that units will withhold capacity from the DASSA in order to trigger the scarcity price, and seek to then avail of a contract through the secondary market. Therefore, the SEM Committee consider a more prudent approach to be to tie the scarcity price to the bid price cap.

SEMC Decision 4: A DASSA scarcity price to apply to each service will be implemented. This scarcity price will be tied and equal to the DASSA bid price cap and any associated review of same. For DASSA go-live this means the Scarcity Price will initially be set at €650/MWh per service, in line with the decision on the price cap under decision 2 above.

4.5 Maximum Number of P/Q Pairs

The TSOs have recommended that service providing units be capable of submitting up to a maximum of ten P/Q pairs, which must be increasing, for each individual service for each Trading Period within the Auction Timeframe. The SEM Committee notes that ten respondents addressed this proposal and all respondents supported the proposed limit of ten P/Q pairs, stating that it was appropriate and provided sufficient flexibility for market participation.

The SEM Committee has therefore decided that service providing units may submit up to a maximum of ten P/Q pairs, which must be increasing, for each individual service for each Trading Period within the Auction Timeframe.

For clarity, the bidding process and format described for the DASSA in terms of P/Q pairs will also apply to the RAD.

SEMC Decision 5: Service providing units may submit up to a maximum of 10 price/quantity pairs, which must be increasing, for each individual service for each Trading Period within the Auction Timeframe. Bids must take the form of a stepwise linear supply function, as described in the TSOs' DASSA Design Recommendations Paper.

4.6 Minimum Step Sizes in P/Q Pairs

In terms of minimum step sizes in P/Q pairs the TSOs proposed that the minimum step size for bid prices in the DASSA be the minimum non-zero positive price that can be expressed to 2 decimal places, which is €0.01/MW in Ireland and £0.01/MW in Northern Ireland. The SEM Committee notes that ten respondents addressed this question with all respondents supporting the proposed approach.

The SEM Committee acknowledges the support for the TSO proposals and that this approach is similar to practices in other SEM markets where €0.01/MW in Ireland and £0.01/MW in Northern Ireland is the minimum difference between successive bids, and the minimum resolution of a difference is 0.01 for each currency per MWh (Day Ahead Market and Balancing Market) or per MW (Capacity Market).

The minimum step size for bid volumes in the DASSA will be 0.001 MW.

For clarity, the bidding process and format described for the DASSA in terms of P/Q pairs will also apply to the RAD.

SEMC Decision 6: Minimum step size for bid prices in the DASSA will be €0.01/MW in Ireland and £0.01/MW in Northern Ireland. The minimum step size for bid volumes in the DASSA will be 0.001 MW.

Bids must take the form of a stepwise linear supply function.

4.7 DASSA Gate Opening Time

In terms of the gate opening time, the SEM Committee notes the concerns raised by stakeholders in terms of the TSOs' proposals within the Consultation Paper. The SEM Committee welcomes the revised proposals from the TSOs in terms of recommending that the DASSA gate opens at 23:00 on D-19.

The SEM Committee considers that the revised proposal allows greater flexibility for service providers who do not currently maintain 24/7 trading operations.

The SEM Committee acknowledges the concerns around interconnector participation. The SEM Committee supports the points made by the TSOs that while the timing of the DASSA presents challenges in terms of knowledge of final market positions, service providers retain the discretion to:

- Submit bids into the DASSA in advance of knowing their final schedule.
- Wait until their position is confirmed and participate in the secondary trading market.
- Submit bids into the RAD and potentially receive payments if a volume deficit is identified in real time and the service provider is in merit.

The SEM Committee also notes that if an interconnector is dispatched differently from its scheduled market position this does not affect its FPN and therefore would not be construed as a change in its balancing capacity. This is an important distinction in terms of the European target model, which separates balancing capacity, or reserve provision, from balancing energy provision.

It is important to clarify that a change in dispatch from a units confirmed FPN will not affect its DASSA position for the trading period in question, although it may impact future trading periods. The approach to such instances is covered in more detail under section 4.11 below.

The SEM Committee also notes that following on from the recent decision on the DASSA Top-Up Mechanism (SEM-25-056) the TSOs have recommended that the RAD gate window align with the DASSA. The SEM Committee considers this a reasonable approach.

SEMC Decision 7: The DASSA gate window will open at 23:00 on D-19 and close at 15:30 on D-1.

The RAD gate window will open at 23:00 on D-19 and close at 15:30 on D-1, aligning with the DASSA gate window.

The TSOs will keep the DASSA (and RAD) gate opening and closure timings under review post DASSA go-live

4.8 Batching of Orders and Price Determination in Secondary Market

The SEM Committee welcomes the proposals set out by the TSOs and notes that batch matching was the previously determined approach to secondary trading as decided by the SEM Committee in the DASSA Detailed Design Decision (SEM-24-066). In terms of the batch matching schedule the TSOs had the following proposals in their consultation:

- the batch process to match secondary trading Buy and Sell Orders would be run every 30 minutes, immediately after the secondary trading gate closure for the Trading Period one hour hence.
- Service providers participating in secondary trading could submit at most one price/quantity pair per service per Trading Period in any one batch, should they wish to buy or sell a DASSA Order.

- The minimum volume for the Buy and Sell Orders in secondary trading would be 0.001 MW, aligning with the minimum step size for bid volumes in the DASSA.
- Service providers would be able to specify relevant conditions associated with a Buy or Sell Order, such as Fill or Kill and Good Till.
- Non-divisible bids, where a Buy or Sell Order must be traded in full or not at all, would be facilitated.

The SEM Committee notes the points of both support and concern raised by respondents, particularly in terms of the potential administrative overhead and the timing of the last batch. On balance, the SEM Committee considers that a well-designed, economically logical batch matching approach is the most optimal, and while there is a risk in terms of the timing of the last batch, maximising the number of batches and allowing it to be as close to real time as possible maximises opportunities for participation, and the potential for liquidity in the market.

In terms of the clearing and pricing of the secondary market, the SEM Committee has some concerns with the proposed approach, and the efficiency of the economic signals it sends. It may lead to incentives for units to misrepresent their bids in order to undercut competitors. However, of the options presented, it is unclear whether first come first served will be deliverable by go-live, and in the interests of not having a radical overhaul of the secondary trading market, it may be most prudent to implement the simple batch matching approach, with a view to optimising the approach post go live. Secondary trading will also be considered in the market power review.

The SEM Committee is concerned with the setting of a price floor of zero, and considers, it more economically efficient that there be no routinely binding price floor, allowing negative bids in secondary trading.

SEMC Decision 8: TSOs to implement the batch matching schedule to include:

- the batch process to match secondary trading Buy and Sell Orders to be run every 30 minutes, immediately after the secondary trading gate closure.
- Secondary trading gate for the buying and selling of DASSA Orders to close 60 minutes before the relevant Trading Period
- Service providers participating in secondary trading may submit at most one price/quantity pair per service per Trading Period in any one batch, should they wish to buy or sell a DASSA Order.
- The minimum volume for the Buy and Sell Orders in secondary trading to be 0.001 MW, aligning with the minimum step size for bid volumes in the DASSA.
- Service providers to be able to specify relevant conditions associated with a Buy or Sell Order, such as Fill or Kill and Good Till.
- Non-divisible bids, where a Buy or Sell Order must be traded in full or not at all, to be facilitated.
- The price floor will allow negative pricing in secondary trading in all scenarios.

TSOs to implement simple batch matching solution for go live. In line with the TSOs' Recommendation, starting with the highest Buy Order price matching with the lowest Sell Order price, and sequentially in order of decreasing Buy Order price, until there are no Sell or Buy Orders left that can be matched. The price would be established on the buy side, i.e. buyers paid-as-bid, sellers paid the bid price of the buyer with whom they match.

Post go-live the TSOs will prioritise delivery of the optimisation solution in the first instance. If there are significant issues observed with simple batch matching, the SEM Committee may direct the TSOs to move to simple batch matching with an enhanced pricing as an interim solution.

4.9 Volume Insufficiency Threshold

The SEM Committee welcomes the proposal of the TSOs to include a volume insufficiency threshold. The ex-ante volume forecast may sometimes set the volume requirement at a level which exceeds that which is absolutely necessary, so it is important that scarcity pricing is not unnecessarily triggered. The proposed approach of the TSOs appears reasonable, although the SEM Committee acknowledges the concerns of some stakeholders in terms of the need for greater clarity on the methodology y for setting the threshold.

The SEM Committee notes that the TSOs have proposed an additional measure to ensure that the threshold does not reduce to zero as a result of the initial proposed approach, and welcomes that these values will be detailed in the Y-1 forecasts, providing a clear signal to industry as to the level of the threshold. The SEM Committee supports the TSOs point that the entire volume deficit be procured by the TSOs – not just the volume to reduce the shortfall below the volume insufficiency threshold – in order that the daily service procurement requirement is observed.

SEMC Decision 9: The threshold for volume insufficiency for any system service, higher quality of service provision or jurisdictional requirement will be the maximum of the following two parameters:

- The value that the TSOs will set to cover the unexpected unavailability of reserve providers for any system service, higher quality of service provision or jurisdictional requirement, which will be determined within the year-ahead (Y-1) volume forecast.
- A value that will be determined within the year-ahead (Y-1) volume forecasting process, which will be greater than zero and will represent the maximum value of any system service, higher quality of service provision, and jurisdiction requirement combination that the TSOs will not procure via secondary trading in the event of volume insufficiency.

The value of the threshold will be subject to review, with any proposed change to the methodology to be subject to industry consultation and SEM Committee decision. In an instance of volume insufficiency for a Trading Period, prioritisation will apply to the TSOs' Sell Order until it has cleared.

4.10 Commitment Obligations & Incentives Process & Hierarchy

The SEM Committee welcomes the TSOs' proposals regarding a structured approach and hierarchy to ensure that service providers would be incentivised to meet their obligations, including fulfilling their DASSA Order, accurately declaring their service availability, and delivering the service when required.

The SEM Committee notes that it's specific decisions on the composition of incentives to:

1. Maintain DASSA position through to BM gate closure;
2. Accurately declare service availability; and
3. Delivering the services when required;

are set out in the subsequent decision sections below.

The SEM Committee considers that implementing a hierarchical framework which provides sharper incentives closer to real time appropriately reflects the additional cost to the consumer of units declaring unavailability close to real time and not delivering committed capacity, thereby sending a proportionate signal in this regard.

While the SEM Committee considers that this hierarchy provides robust incentives for units to ensure they remain available throughout their commitment window and capable of response when called upon, if instances of units persistently triggering the incentive mechanisms are observed, the SEM Committee may consider the introduction of additional measures such as disqualification of units.

SEMC Decision 10: A layered incentive mechanism for DASSA Orders will be implemented, consisting of:

- Pre-Gate Closure Incentives – Compensation Payment
- Post-Gate Closure Availability Incentives – Compensation Payment and One-Off Availability Performance Incentive
- Post-Gate Closure Delivery Incentives – One-Off Event Performance Incentive

The hierarchy of incentives will be structured as follows:

- Post-Gate Closure Availability Incentives to be stronger than Pre-Gate Closure Incentives.
- Service Delivery Incentives to be the strongest, exceeding availability incentives over the subsequent Trading Periods, particularly where units may become unavailable following service delivery.

4.11 Application of Compensation Payment

The SEM Committee welcomes the analysis of the TSOs in relation to the application of the compensation payment. The SEM Committee acknowledges the rationale for the TSOs' recommendation that units which are lapsed as a result of a TSO action should be exempt from

the compensation payment. It is reasonable to come to the position that units should not be financially penalised for their inability to meet an obligation if the TSOs have caused this inability through dispatch actions.

Notwithstanding the above, the SEM Committee is concerned that not applying compensation payments to all unfulfilled obligations will result in hidden costs to consumers as a result of the true cost of balancing market actions not being reflected in bids. Ideally, the TSOs would consider the overall cost to the consumer, including the potential cost of procuring additional System Services capacity through the RAD, when making any dispatch decisions. The SEM Committee considers it vital that all stakeholders have a clear understanding of the total costs and impacts of all dispatch decisions, and that these are accurately reflected in the markets.

Without the ability to reflect these costs, the SEM Committee considers the most economically efficiency approach the compensation payment would be applied to all units, and units could then reflect the cost of being moved away from a System Services commitment in their BM bids. This would ensure that the balancing market reflects the true cost of moving these units while enabling any unit used in the BM to recover the cost of the compensation payment. The SEM Committee therefore considers that compensation payments should be applied to TSO lapsed units in principle until the TSOs are capable of incorporating the market and total cost into their dispatch decisions.

The RAs have carried out extensive engagement with stakeholders on this topic, and consider that there is too much complexity and risk at this time in the BM for all units to have full confidence of recovering these costs. The SEM Committee has therefore decided that while compensation payments will be applied to TSO lapsed units, the value of the compensation payment for TSO lapsed units will be set to zero initially. This value will be updated upon any changes to the ability for all technology types to fully recover their costs in the BM.

SEMC Decision 11: Compensation Payment to be payable to the TSOs when a DASSA Order is not compatible with the service provider's FPN or has been self-lapsed.

The compensation payment will be set to zero where units are lapsed due to TSO actions, which are defined as pre-gate closure dispatch instructions or automated responses to frequency events that directly result in a FPN that is incompatible with the DASSA Order.

Holders of DASSA Orders that have lapsed due to TSO actions shall offer their DASSA Order in the Secondary Market.

Units will be exempt from the compensation payment where the DASSA Order for the Trading Period falls within a Grace Period, where a Grace Period applies to that unit.

4.12 Calculation of Compensation Payment

The RAs have engaged with the TSOs and their consultants on the calculation of the compensation payment and consider the proposed approach to be sensible. Having consideration

of the TSOs' recommendations and the RA analysis on the calculation of the compensation payment, the SEM Committee has decided to endorse the TSOs' proposals.

The approach of applying a scalar to the DASSA clearing price offers economic efficiency and simplicity in terms of approach. It also addresses the commentary of stakeholders in terms of preferring simple one-off payments.

The SEM Committee is also in alignment with the TSOs that there should be no reduction in the application of the compensation payment in instances of early self-lapsing as the cost of replacement arises regardless of intent or timing, and incentivising early self-lapsing may reduce liquidity in the secondary market. However, as previously indicated, the SEM Committee considers the ideal design would reflect the true cost of all dispatch decisions in the markets, and if this is achieved and it emerges that later lapsing of units is driving an increased system cost, this principle will be reviewed.

The SEM Committee does have some concerns with regard to the potential for reduced incentives to meet commitment obligations at times when the cost of System Services is very low. The SEM Committee has therefore decided to apply a floor on the value of the compensation payment. Analysis has been carried out in terms of the appropriate level for such a floor. This analysis was carried out by looking at a proxy for the secondary market price. This is because the compensation payment should exceed some percentile of the distribution of (estimated) secondary trading clearing prices. This would ensure that units face incentives to trade out of any DASSA obligations before BM gate closure (even if this involves paying another provider to take on their obligation), rather than incurring the compensation payment.

A historical "premium" between day-ahead and intra-day energy products was estimated, and it was assumed that a similar premium may apply to reserves. In engagements with the TSOs a range of "static" compensation payment levels were discussed in case there are implementation challenges with compensation payments that vary by trading period. The proposed static payments fall within the range of floors calculated through the analysis, so it was determined to proceed with setting a fixed floor at these levels.

In terms of the post-go live solution, the SEM Committee considers the initial multiplier design should be kept under review, but does not consider there to be a need to deliver an immediate post-go live solution until the effectiveness of the initial design is assessed in practice.

For clarity, as the RAD does not have any associated availability commitment obligations associated with it, the commitment obligation compensation payment is not applicable in the context of RAD payments.

SEMC Decision 12: For DASSA go-live, the Compensation Payment will be calculated as Compensation Payment = DASSA Clearing Price x Service-Specific Multiplier x Lapsed Volumes.

A floor will be applied on the value of the compensation payment. This floor will be set by reference to the default prices for each service multiplied by the respective compensation payment multipliers.

	FFR	POR	SOR	TOR1	TOR2	RR
One-off Compensation Payment Service Specific Multiplier	70%	70%	50%	50%	40%	40%
Compensation Payment Floor (€/MWh)	1.79	1.79	1.28	1.28	1.02	1.45

The SEM Committee will monitor the effectiveness of the compensation payment levels on an ongoing basis and may update the multipliers on a monthly basis, based on the available data. Any update to the multipliers will be made by published SEM Committee decision alongside detailed analysis justifying the changes and will take effect 30 days after publication.

For clarity, as the RAD does not have any associated availability commitment obligations associated with it, the commitment obligation compensation payment is not applicable in the context of RAD payments.

Any further developments to the calculation of the compensation payment will be informed by detailed reviews.

4.13 Post Gate Closure Availability Incentive

The SEM Committee acknowledges the work done by the TSOs in developing proposals for incentives to ensure post-gate closure availability. The SEM Committee notes that the TSOs have indicated a preference for the use of scalars and also notes that stakeholders have indicated a strong preference for the use of one-off penalties. While scalars were an efficient approach to incentivising performance under a tariff-based framework, the use of persistent scalars can be inefficient in a market setting: providers may adjust future DASSA bids to reflect known scalars, making them less likely to clear (or potentially increasing prices). Furthermore, historical unavailability need not be a good predictor of future unavailability.

The SEM Committee has decided to use one-off penalties, rather than scalars. Although the TSOs' primary recommendation is scalars, the SEM Committee welcomes the additional analysis that has been conducted in terms of forming recommendations for the calculation of multipliers to the DASSA price to set one-off penalties. The SEM Committee considers this approach to be reasonable and has decided to implement one-off availability penalties using the approach set out in the TSOs' Recommendations Paper.

For clarity, as the RAD does not have any associated availability commitment obligations associated with it, the post-gate closure availability incentive is not applicable in the context of RAD payments.

SEMC Decision 13: The SEM Committee has decided that a one-off post gate closure availability incentive will apply in instances where units have signalled availability at gate closure but then become unavailable post-gate closure.

The value of the payment will be determined by the following formula:

Post Gate Closure Availability Payment = (DASSA Clearing Price x Service-Specific Multiplier x Unavailable Volumes) + Compensation Payment (see formula under SEMC Decision 12).

In instances of units declaring unavailability post-gate closure this incentive will apply in addition to the Compensation Payment, and will be calculated based on the table below. A floor will also apply to the post gate closure availability incentive, using the same approach as described in Section 4.12:

	FFR	POR	SOR	TOR1	TOR2	RR
Specific multiplier for post gate closure availability incentive	25%	25%	25%	25%	25%	25%
Post gate closure availability payment floor (€/MWh)	0.64	0.64	0.64	0.64	0.64	0.91

4.14 Post Gate Closure Delivery Incentive

The SEM Committee considers that the same rationale for the post gate closure delivery incentive applies to the post gate closure delivery incentive. The SEMC has therefore decided that one-off penalties should be implemented for the post gate closure delivery incentive. As set out previously, the SEM Committee considers that the post gate closure delivery incentive should carry the highest level of penalty among the three incentives.

The SEM Committee welcomes the TSOs inclusion of a proposed approach to calculating a one-off incentive. The TSOs proposal is tied to their recommendation on the scarcity price. The SEM Committee welcomes this approach, however in line with the SEM Committee's decision to tie the scarcity price to the price cap, this decision reflects those updated values.

The TSOs' initial proposals during the consultation phase indicated that a post gate closure delivery incentive may be applied alongside the incentive for DASSA contracted units. This

statement was made in the context of a recommendation to apply a scalar based approach, and did not explicitly state whether the incentive should be equal for both DASSA and RAD units.

The SEM Committee considers that while the decision set out below sends an appropriate signal to units who have a commitment obligation for the provision of System Services, it may be set at a disproportionate level for RAD units, some of whom may be passive participants in the market. There is therefore further consideration required on what the appropriate signal, if any (beyond existing delivery incentives in the balancing market), should be for RAD units to incentivise them to ensure the units remain capable of providing services when called upon while not disincentivising participation in the FASS framework.

SEMC Decision 14: The post-gate closure delivery incentive will comprise a one-off payment in instances where a unit with a commitment obligation for System Services is called upon by the TSOs. The value for one-off payments which take the form of multipliers against failed events will be set at €1,300/MWh (2 x Bid Price Cap). The determination of the volume of a failed or partially failed event will align with the existing methodologies used under DS3 to evaluate units' performance, unless amended following appropriate industry engagement.

For units without a commitment obligation who receive a System Services payment e.g. RAD contract holders, further consultation is required to determine an appropriate incentive for these units.

4.15 Energy Storage Grace Period

The TSOs have recommended a grace period of eight hours for BESS units. We understand this to be the length of time after an initial TSO action in the BM for which they would be deemed "TSO-lapsed" and so exempt from a compensation payment. The TSOs also recommend further work pre go-live to assess whether other technologies should also receive a grace period. The TSOs have not yet provided further written materials to support their recommendation, but in principle (a) we agree that batteries would require some grace period, although the duration of that period may require further justification and (b) it would be prudent to explore whether other technologies should also receive a grace period, prior to DASSA go-live.

The SEM Committee has decided that a grace period of eight hours is to apply to BESS units. The SEMC also requires that the TSOs evaluate the application of a grace period, for other service providers, pre-DASSA go-live. Given the TSOs propose to review the application and duration of the grace period to other service providers, the SEM Committee requires further review, of the duration of the grace period for BESS, in parallel, pre go-live.

SEMC Decision 15: A Grace Period of eight hours will apply to ESUs impacted by TSO instructions or system events, starting from the time of the unit's response to the instruction or event. ESUs will not be subject to compensation payments and post gate closure availability incentives for the duration of the Grace Period.

The Grace Period will terminate after eight hours or where the unit's availability per service meets or exceeds the volume of its DASSA Order for the current Trading Period.

The TSOs will evaluate the application of the Grace Period to other technology types prior to DASSA go-live.

Additionally, the TSOs will conduct a review of the Grace Period following operational experience post go-live.

4.16 Bundling

The SEMC has decided to accept the TSOs' Recommendation, in that neither implicit nor explicit bundles, will be in place for DASSA, at go-live. This decision is based on the TSOs assertion that timelines do not allow for explicit bundling for go-live. In its decision on the FASS Product Review and Locational Methodology, the SEM Committee had decided to allow implicit bundling only in instances of system need, and the TSOs subsequently indicated that there was no explicit system benefit to the bundling of services. However, there may be economic efficiencies to allowing providers to bid in explicit bundles or linked bids. The SEMC requires that a workstream on bundles and linked bids is established, as promptly as possible and a timeline for implementation of such established, prior to DASSA go-live.

SEMC Decision 16: DASSA to procure individual reserve services only at go-live; neither explicit nor implicit bundles of services will be procured. Explicit bundling to be facilitated post-go-live.

TSOs to evaluate the potential bundling of services, and related mechanisms such as the linking of bids, under the 'Future DASSA Arrangements' Work Package as outlined in PIR V3.0. Any implementation of bundling to occur post DASSA go-live. The approach will be determined ahead of go-live and an associated implementation timeline will be known.

4.17 Value Function in Objective Function

The SEMC has decided to agree with the TSOs' Recommendation, given TSO advice that there is no operational benefit to having more dynamic service provision, than the minimum auction dynamic volume requirement. The Value Function in the objective function will be set to zero for the go-live of the DASSA for all services, meaning that there will be no operational preference to procure dynamic over static service provision, above the minimum auction dynamic volume requirement. There will be a minimum requirement for dynamic service provision, per service.

SEMC Decision 17: The Value Function in the objective function will be set to zero for the go-live of the DASSA for all services, meaning that there will be no operational preference to procure dynamic over static service provision above the minimum auction dynamic volume requirement set for each reserve service per jurisdiction.

TSOs to evaluate the Service Quality Value Function post-DASSA go-live. Any change to the Value Function will be subject to industry consultation and SEMC approval.

4.18 DASSA Fallback Procedure

The SEMC agrees with the TSOs' proposal that pre-defined tariffs, based on the LRMC of a BESS unit should apply, if the RAD is not available. The TSOs considered that tariffs based on the cost of service provision, by a BESS unit, are appropriate and pragmatic for exceptional circumstances and the SEMC agrees with this proposition. The SEMC accepts the TSOs' recommendation, noting that the fallback mechanism should rarely be used and should be resilient to the non-availability of the DASSA, as the initial DASSA fallback mechanism is the RAD.

SEMC Decision 18: A DASSA Fallback Procedure to be implemented for DASSA go-live:

- The RAD will be used as the primary fallback mechanism.
- If both the DASSA and the RAD are unavailable, all reserve volumes made available in real-time will be settled at predefined administered prices, based on the LRMC of a BESS unit, as set out in the below table:

Fallback	FFR	POR	SOR	TOR1	TOR2	RR
Administered Price (€/MWh)	2.56	2.56	2.56	2.56	2.56	3.63

- TSOs to evaluate the Fallback Mechanism regulated tariffs post-DASSA go-live, with any change being subject to industry consultation and SEMC approval.

It is worth noting that the SEM Committee has decided that RAD will remain in place for a period of two years. This may be extended by further two-year periods by the SEM Committee where the need remains.

5 NEXT STEPS

Following this SEMC Decision Paper, the TSOs will commence work on implementation of the DASSA. The substantive policy design work to enable the delivery of an initial solution for a functional DASSA has now been completed. There remains a need for further consultation and design of some areas for the enduring design, such as the bundling of products and the settlement of the secondary market. These areas will need to be closed off ahead of DASSA Go-Live, with an implementation plan shared that ensures timely delivery of the enduring DASSA solution.

5.1 Next Steps

Should stakeholders have any queries or comments, please contact Dylan Ashe (dashe@cru.ie) or Bronagh McKeown (bronagh.mckeown@uregni.gov.uk).