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Subject: SEM-26-003 Options for the timings of upcoming CRM auctions (the Consultation)

Dear CRM teams,

Bord Gáis Energy (**BGE**) welcomes this consultation and the opportunity to respond to it. We have answered the consultation questions in sequential order below but our high-level position on this Consultation is that:

i. "Do nothing" is not an option that should be considered further – the SEM needs a solution to the problem of not having sufficient delivery time between auction results and contracted for delivery dates. Compressed timeframes for delivery erode contingency time necessary for any project which in turn creates risks of delayed project commencement, delayed payments and possible project non-delivery which can ultimately result in higher costs for consumers especially if short notice T-1 or emergency capacity needs to be procured instead.

ii. However, the potential for unintended consequences of "skipping" an auction delivery year should be avoided, considering the likely higher costs to consumers and potential capacity adequacy gaps that could arise in either scenarios of Option 1a or Option 1b. Please see answers 1 and 2 below for further detail.

iii. BGE's preference therefore is for 6-monthly rolling auctions with the T-4 CY29/30 occurring as planned next month with four subsequent T-4/5 auctions occurring to bring us to the new State Aid approval date:

Auction Type	Auction Date	Delivery Year	Delivery window
T-4	March 2026	2029/30	T-3.5
T-4	December 2026	2030/31	T-3.75
T-4	June 2027	2031/32	T-4.25
T-4	December 2027	2032/33	T-4.75
T-5	June 2028 (under new state aid scheme)	2033/34	T-5.25

iv. Despite the Consultation's noted perceived drawbacks of holding long-term auctions in short succession, BGE believes those drawbacks can be easily mitigated through for example running the same qualification and demand curves for 2+ auctions at a time and skipping a T-1 (or T-1s). Please see answer 7 below for more detail. Such approaches are considered low risk mitigation techniques to enable 6-monthly auctions.

v. Should the Regulatory Authorities (**RAs**) proceed to choose one of the Consultation's short-term options, both of which could result in a higher cost to consumers, BGE's preference is for Option 1a provided that certain measures are also adopted to help obtain the optimum level of capacity requirement to mitigate risk to security of supply – e.g. using the highest forecast demand curve of the two years capacity is being procured for; ensuring any USPC is assessed for an Existing Unit's 2-year contract duration rather than assessing for 1 year (or use 2 single year contracts). Please see answers 1, 2 and 3 for further views.

vi. Regardless of the option chosen, it is essential that any longer delivery period should facilitate only the project - the gas or electricity grid system operators (SOs) cannot be permitted to extend connection delivery timelines. SO incentives should exist to ensure connections are delivered to plan and on time.

Answers to Consultation Questions

1. Do you have a preference between the two options presented in this section?

"Do nothing" should not be considered further as an option. BGE has concerns about skipping a delivery year as outlined in our introduction section above but if that is the chosen approach, our preference is Option 1a (i.e. skip delivery year CY2030/31).

Under either Option 1a or 1b however, there is a considerable likelihood that the cost to the consumer would increase compared to the status quo (of yearly delivery deadlines) if at the same time, risks to capacity adequacy and security of supply are to be satisfactorily managed. The main driver,[1] for this concern is the suggested approach to procuring Existing Capacity under Options 1a or 1b, on two-year contracts rather than the current one-year contract. To mitigate the scope for capacity shortfalls or sudden existing unit exit(s), there is a need for a two-year contract for Existing Capacity to reflect a suitable capacity adequacy requirement that would cover either of the two years being contracted. This in turn requires:

a. **Using the higher of the 2 years' forecast demand curves** (based on the information in the Consultation, the capacity requirement for the T-4.5 timeline is expected to be higher, whether the auction is a T-3.5 or T-4.5). This will mitigate the risk of procured capacity shortfall but ultimately procuring demand for one of the years that is higher than needed, risks over-procurement which impacts consumer costs.
b. **Assessing Unit Specific Price Cap (USPC) applications for the two-years** such that a USPC is chosen that is sufficiently high to cover the unit's cost for either of the two years – this would mitigate the risk of exit due to insufficient revenues but may lead to higher USPC being paid for one of the two years than necessary, thereby raising costs for consumers as the contract is at the higher price for the two years (please however see answer 3 regarding the prospect of two single yearly contracts for USPCs).

Option 1b does not improve the current condensed timeline of a T-3.5 year or lower delivery timeline and while a T-4.5 (option 1a) does improve the build/ delivery timeline, there is an added risk of further costs for consumers if the Early Delivery Incentive (EDI) is invoked under Option 1a.

The complexity and possible unintended consequences of skipping one year's delivery informs BGE's conclusion that a condensed timetable (6-monthly auctions) is preferable as described further in answer 7 below.

2. Could the introduction of two-year contracts for Existing Capacity create any risks from a capacity availability perspective, that would result in less capacity being available than under the current approach of two one-year contracts?

BGE has concerns about the two-year contract approach for reasons outlined in answer to question 1 above – particularly a possible unnecessary rise in consumer costs if sudden capacity gaps materialise. Regarding the specific question of risks from a capacity availability perspective, in summary our concern is that increasingly Existing Units need to seek a USPC approval given the low level of the Existing Capacity Price Cap (ECPC). To mitigate unit exits and satisfy a unit's USPC requirement for a two-year period, then the USPC should be assessed such that the worst case (highest cost) scenario is covered off. This is likely to result in a higher USPC being paid for a full two years rather than a lower USPC in one of the years, increasing costs for consumers. An alternative approach of an average two-year USPC is not considered viable given the complexity in terms of assessment and settlement implications. We do however believe an option of two single year USPCs has potential, as explained in answer 3 below.

3. Are there any solutions, other than two-year contracts for Existing Capacity, which should be considered by the SEM Committee to provide clarity to industry under Options 1a/1b?

Again, BGE's preference is for a move towards T-5s to commence in December 2026 (starting then with a T-3.75, moving to a T-5.25 by June 2028 when the new State Aid approval should be in force). That approach would enable the one-year contracts for Existing Capacity to continue as now.

Should Option 1a or 1b however progress, the option of providing two separate one-year contracts but issuing them simultaneously, could be considered. In the context of our USPC concern, this could simplify the assessment, timing and settlement process and optimally manage the overall cost to the consumer of such units over the two-year period while meeting the cost recovery needs of a unit.

[1] Noting however the grid code requirement for 3 years' notice of market exit

4. Do any of the options outlined above create risks or benefits not covered in this consultation?

Please see our answer to Question 1 above for our view on the risks of skipping either delivery year under either option 1a or 1b. BGE has not discerned an obvious benefit of skipping a delivery year given the risks outlined in our introduction and answer 1 above.

It is critical however that whatever decision outturns from this consultation, an extended timeline for project build/ delivery cannot be used to facilitate longer windows for delivery of gas and grid connections. These are key practical deliverability challenges for project developers today and ideally separate incentives for gas/ grid connection delivery within necessary timeframes should be adopted.

On the issue of system operator issues contributing to project delays, we note that the DCEE are currently consulting on RESS 6 terms and conditions with the suggestion that contracts can be adjusted by up to 3 years (instead of the current 2) when projects experience TSO or judicial review issues. Recognition of the extent to which such hurdles can delay projects in the renewables sector should equitably also translate across to the non-renewables capacity market design also.

5. Which option, out of Options 1a, 1b, and a "do nothing" do you consider to be best? If your response is dependent on the Decision taken for the longer-term, please state this and explain why.

BGE's preference is for a schedule of 6-monthly auctions to occur starting in December 2026 (a T-3.75) culminating in June 2028 (a T-5.25) to ultimately achieve the intent of providing sufficient project build time of ~T-4 years, as recommended in 2022 by EY and as anticipated under the current State Aid approval.

Of the three options, the 'do nothing' and '1b' options should not be progressed, thus Option 1a is preferred provided the risks identified in our answer to question 1 above are appropriately addressed. Our view is not dependent on the longer-term Decision– in either case T-5s should be the aim. In practice, options 1a and 1b could have similar outcomes in terms of the capacity that is procured, actually being delivered by 2031/32 but:

- Option 1a would have a need for less contingency risk (and cost) in projects versus 1b, with the longer lag period, and
- the Early Delivery Incentive would mitigate the concern of projects ready that bit earlier being able to deliver and start getting paid within a ~T-3.5 timeframe under Option 1a.

6. Would moving to T-5 auctions be preferrable to the current approach of T-4 auctions? Would some alternative auction schedule be preferred to T-5?

Yes – we believe that particularly given the well-known experience of planning permission and related legal hurdles as well as gas and electricity grid connection challenges that the majority of projects in SEM have or are facing currently, a T-5 timeline is preferable to a T-4. In any event, the continuation of the Early Delivery Incentive can mitigate a project's concerns of a delivery window being too long. In terms of the schedule of upcoming auctions, BGE reiterates its preference for 6-month rolling auctions with a T-3.75 (Dec' 2026 auction) to T-5.25 (June 2028 auction) delivery periods between auction results and contracted delivery dates, as explained further in answer 7.

7. If moving towards T-5 auctions, how should the SEM Committee transition to this longer lead time? Responses could refer to proposals outlined in Options 1a/1b or other suggestions.

BGE has concerns regarding skipping an auction delivery year (and so concerns regarding Options 1a and 1b) as outlined in the introduction to our response and in answers 1 and 2 above. Our preference is for 6-monthly rolling auctions, with timings and proposed project delivery/ build periods as follows:

Auction Type	Auction Date	Delivery Year	Delivery window
T-4	March 2026	2029/30	T-3.5
T-4	December 2026	2030/31	T-3.75
T-4	June 2027	2031/32	T-4.25
T-4	December 2027	2032/33	T-4.75
T-5	June 2028 (under new state aid scheme)	2033/34	T-5.25

To facilitate holding auctions in the rolling 6-monthly manner suggested above, to mitigate the perceived administrative burden of such as referenced on page 13 of the Consultation, consideration could be given to the prospect of skipping a T-1 or T-1s in 2027 at least. Our analysis shows that the main value in terms of security of supply is delivered through T-4 auctions; latest results[2] show that T-4 auctions procure >~90% of volumes needed for a delivery year, thus no discernible drawback in our view would materialise by skipping a T-1 to facilitate the above proposed timetable.

Moreover we strongly disagree with the perspectives put forward in the Consultation, based on TSO discussions, against the prospect of more regular auctions because in BGE's view:

a) The resourcing/ administration concerns could be managed by enabling 'qualification' results apply for 2 or more auctions at a time;
b) The volume calculation concerns could be addressed by applying the same demand curve for 2+ auctions so just adjusting the 2nd and subsequent auctions for volumes procured in the immediately prior auction;
c) The concern about bidders having insufficient time to consider bidding strategy between auctions is tenuous.
d) The liquidity concern raised is no different to when auctions are held further apart – the number of parties bidding from auction to auction vary all the time and bidders have relative confidence already that a T-4 will be held for each delivery year and so would be already assessing which auction they may bid into.

Finally, the above proposed timetable would also optimally deliver capacity incrementally as required in accordance with capacity adequacy needs which would better help avoid the risk of sudden exits with skipping delivery year(s) and the related risk of incurring costs commensurate with that of procuring more temporary emergency generation in case unexpected procurement gaps materialised.[3]

8. Are there any wider considerations or market trends which would indicate that moving to a T-5 schedule is unnecessary or inappropriate in the longer-term?

Our view is that the market trends and experience of projects in recent years in SEM is that moving to a T-5 schedule is both necessary and appropriate and that a timetable for a gradual achievement of a T-5+ timeline should be confirmed sooner than later in line with that proposed by BGE in answer 7 above, even before any new State Aid approval occurs. The risk of unintended consequences of skipping any delivery year in terms of under-procuring and consumer cost increases, far outweighs any administrative concerns of running 6-monthly auctions that the TSO may have as discussed in answer 7 above.

9. What impacts, if any, could moving to a T-5 auction have on clearing prices in the CRM, and therefore on consumer costs?

It can reasonably be expected that having a longer build period between auction results and delivery timelines will lead to lower perceived risks of not delivering on time being factored into projects and their potential bids, as reasonable contingency time and costs can be accounted for compared to the scenario of delivering within tight windows of time. For example, if projects are under a tight timeframe in SEM there is a risk that project milestones may not all be achieved on time or approved extensions of milestones may not be obtained and/ or delayed capacity payments will occur which can mean both: a) a reduction in the duration of the time during which capacity payments are earned (i.e. a less than 10-year contract duration, undermining the project's viability) and b) that the net present value of delayed capacity payments are much lower than initially assumed

[2] T-4s, T-1s for 2024/25 and 2025/26
[3] Noting that the cost of TEGs to date is in the order of over €1bn, we need to avoid the prospect of creating gaps that could drive a need for their continuation or further temporary emergency generation

for a project delivered on time (impinging on a project's expected cost recovery). The longer/ T-5 type timeframe would lessen concerns around the likelihood of such risks materialising and T-5s could thus be expected to lower consumer costs or at least result in optimum costs to the consumer of capacity procured.

We hope that you find the above proposals and views helpful. Please do not hesitate to contact me should you have any queries or wish to discuss further.

Yours sincerely,

Julie-Anne Hannon
Bord Gáis Energy

{By email}